Annual Report **2012**

Richelieu

Montreal

Laval

Quebec City

Drummondville

Longueuil

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The annual general meeting of shareholders
will be held on March 28, 2013 at 11:00 a.m.,
at the Omni Mont-Royal Hotel,
1050 Sherbrooke Street West, Montreal, Quebec.

From St. John's to Victoria, from Boston to Seattle

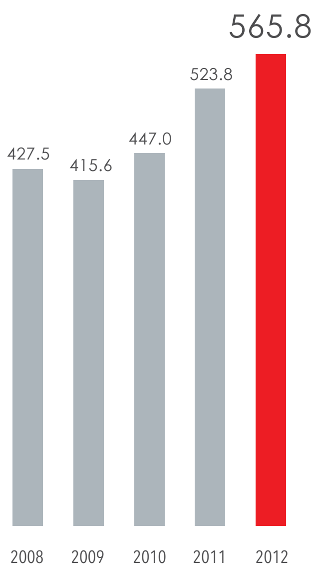
Concept incorporating Richelieu products

From our 60 strategic centres, we contribute to the creativity and differentiation strategies of our customers wherever they may be throughout North America, with a business model tailored to their needs.

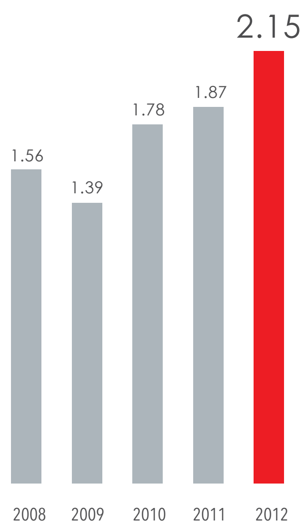
Underpinned by innovation, quality and reliability of service, the customer relationship is at the core of every level of our organization.

Sustained growth and profitability
Stability ▪ Solidity

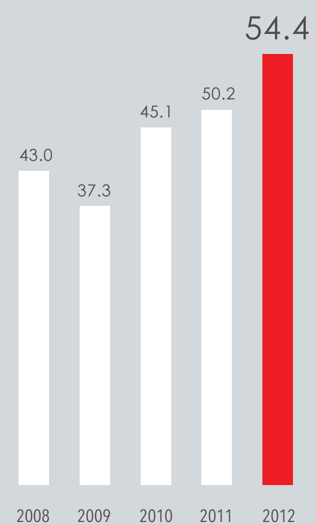
SALES
(in millions of $)



EARNINGS PER SHARE
DILUTED
(in $)

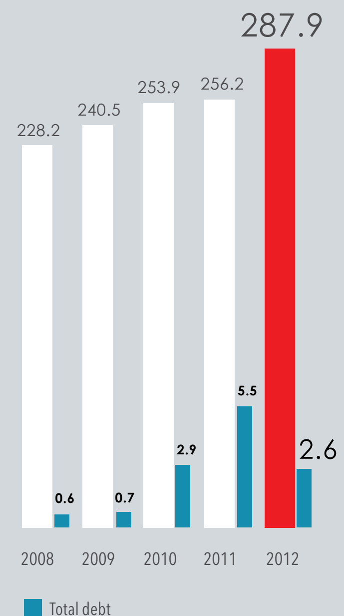


CASH FLOWS
FROM OPERATING ACTIVITIES (1)
(in millions of $)



(1) Measure not consistent with IFRS, as described on page 24.

EQUITY
(in millions of $)



Acquisitions in North America

2012

CourterCo Inc. (Indiana, Kentucky, North Carolina)

2011

Outwater Hardware (New Jersey)
Madico Inc. (Quebec)
Provincial Woodproducts Ltd. (Newfoundland)

2010

Woodland Specialties Inc. (New York State)
Raybern Company, Inc. (Connecticut)
Gordon Industrial Materials Ltd. (Quebec, Ontario)
New Century Distributors Group LLC (New Jersey)
E.Kinast Distributors Inc. (Chicago region)
PJ White Hardwoods Ltd. (B.C., Alberta)

Financial Highlights

Years ended November 30 *(in thousands of $, except per-share amounts, number of shares and ratios)*

	2012 (1)	2011 (1)	2010 (2)	2009 (2)	2008 (2)
	$	$	$	$	$
Sales	**565,798**	523,786	446,963	415,592	427,536
EBITDA (3)	**71,163**	67,149	63,832	51,588	58,433
EBITDA margin (%)	***12.6***	*12.8*	*14.3*	*12.4*	*13.7*
Net earnings	**45,909**	40,105	39,233	30,404	35,607
Net earnings attributable to shareholders of the Company	**45,404**	39,726	38,574 (4)	30,605 (4)	35,733 (4)
Net margin attributable to shareholders of the Company (%)	***8.0***	*7.6*	*8.6*	*7.4*	*8.4*
Cash flows from operating activities (5)	**54,403**	50,183	45,059	37,310	43,033
FINANCIAL POSITION					
Net cash (6)	**49,024**	23,551	36,431	47,774	5,477
Working capital	**200,088**	166,897	162,727	150,485	130,865
Total assets	**349,869**	318,676	320,816	286,928	273,484
Total debt	**2,563**	5,544	2,858	668	649
Equity	**287,942**	256,187	253,869	240,500	228,234
Average number of shares outstanding (diluted) (in thousands)	**21,137**	21,262	21,705	22,019	22,785
PER SHARE					
Net earnings attributable to shareholders of the Company					
■ basic per share ($)	**2.17**	1.89	1.79	1.39	1.56
■ diluted per share ($)	**2.15**	1.87	1.78	1.39	1.56
Cash flows from operating activities (5)	**2.57**	2.36	2.08	1.69	1.88
Book value ($)	**13.65**	12.11	12.01	11.04	10.39
Dividends	**0.48**	0.44	0.36	0.32	0.32
RATIOS					
Total debt/equity (%)	**0.9**	2.2	1.1	0.3	0.3
Return on average equity (%)	**16.9**	16.5	15.9	13.0	16.3

(1) The financial statements for 2012 and those for 2011, for comparative purposes, have been prepared in accordance with IFRS.
(2) The financial statements for 2010, 2009 and 2008 have been prepared in accordance with GAAP.
(3) EBITDA is a non-IFRS measure, as described on page 24 of this report.
(4) Net earnings from continuing operations.
(5) Cash flows from operating activities and cash flows per share are non-IFRS measures, as described on page 24 of this report.
(6) Cash net of debt.

Listing of shares (RCH) on the Toronto Stock Exchange (TSX) in 1993

MARKET CAPITALIZATION AS AT NOVEMBER 30, 2012

$ 697.4 million

TOTAL RETURN ON SHARE/10 YEARS *

195%

APPRECIATION IN SHARE PRICE SINCE INITIAL STOCK LISTING

1,469%

AVERAGE ANNUAL RETURN ON SHARE/10 YEARS*

11.4%

* Including dividend reinvestment

Profile

Importer, distributor and manufacturer of specialty hardware and complementary products

Our mission

Remain a top-quality customer-oriented company, respectful of the interests of our other three partners: our team, our suppliers and our shareholders.

Our customers

Nearly 70,000 customers in North America: kitchen and bathroom cabinet manufacturers, kitchen designers, residential and commercial woodworkers, home furnishing manufacturers, office and ready-to-assemble furniture manufacturers, renovation superstore chains and purchasing groups including more than 6,000 hardware retailers.

Our team

Some 1,700 people, close to half of whom focus on sales and marketing, and nearly 70% of whom are Richelieu shareholders.

Our products

More than 90,000 products (SKUs) in a wide variety of categories including: kitchen accessories, lighting systems, finishing and decorating products, functional hardware, ergonomic workstations, closet and kitchen storage solutions, sliding door systems, decorative and functional panels, high-pressure laminates and floor protection products. This offering is complemented by the specialty items manufactured by our two subsidiaries, Cedan Industries Inc. and Menuiserie des Pins Ltée. These include a broad range of veneer sheets and edgebanding products, a variety of decorative moldings and components for the window and door industry. In addition, some of our products are manufactured in Asia according to our specifications and those of our customers.

Our network

60 centres across North America including two manufacturing plants. Our wide array of products, our "one-stop shop" service approach, our efficient logistics and the numerous advantages of the transactional website **richelieu.com** translate into an optimal response rate for our customers.

Richard Lord
President and Chief Executive Officer

By applying our two-tiered growth strategy of internal growth and acquisitions with success, and by aiming to excel year after year, we continue to achieve a performance that provides Richelieu with financial solidity, strengthens its North American leadership, and also yields an attractive return for shareholders. For instance, that was the case in 2012.

New synergies were created during the year and we further improved operational efficiency with the acquisitions closed between 2010 and 2012, including last May's transaction with CourterCo, a distributor operating in Indiana, Kentucky and North Carolina. Our innovation strategy remains the spearhead of our growth, added to the expertise and dynamism of our sales and customer service teams, it enabled us to gain market share in North America. We thereby achieved a 15.0% rise in earnings per share, a solid internal growth in our Canadian markets, along with an increase of some 20% in U.S. dollars in sales in the United States, also reflecting the impact of our acquisitions and the new agreements entered into with American retailers.

We remain in an impeccable financial position, with cash of $51.6 million, working capital of $200 million and almost no debt, after repurchasing Richelieu shares for some $6 million, further operational investments and the payment of dividends of $10.0 million to our shareholders, the equivalent of 22.1% of 2012 net earnings. During the twelve-month period ended November 30, 2012, our share price appreciated more than 23%.

We succeed in creating value for Richelieu by first creating value for our customers.

Our very first priority is to be a growth partner for some 70,000 manufacturer and retailer customers. As part of this commitment, we take our customers' business challenges into account when developing our strategies in order to anticipate their needs and to meet them locally and competitively with a diversified offering of available and innovative products paired with unrivalled quality of service. To contribute more effectively to our customers' growth, we have invested in analytical tools that provide us with reliable purchasing profiles from our personalized sales data. We can thereby offer customers innovative solutions to support their creativity and differentiation strategies.

Over the years, we have greatly expanded the range of our innovations and successfully integrated 46 North American businesses, enabling us to extend our reach across the continent, to integrate quality resources and to establish the critical mass to offer a unique service concept. That has been possible thanks to our business model which incorporates a sustained flow of innovations, while focusing on efficient logistics, expert neighbourhood service, and a good balance between centralization and decentralization.

We attend closely to our business model in order to achieve our operational and financial objectives, even under more challenging conditions, and to remain at the forefront in regard to service, innovation and product offering. We ensure it is always specifically adapted to our customers' needs.

We can rely on a central operations control system and a robust, reliable logistics chain, in support of our business strategy and customer orientation.

Our decentralized customer service assured by local employees is paired with our strong central operations control system and a North America-wide marketing program that includes regional features as needed. These three inter-dependent components are equally important.

Efficient logistics are a strategic commitment at Richelieu, given our extensive distribution network and growing number of customers, products and daily orders, including those online. As part of our commitment to being our customers' growth partner, we must consider their competitiveness challenges and hence prioritize a "one-stop shop" approach, order delivery within 24 hours, efficient inventory management with them and our suppliers, while controlling logistics costs.

Our supply chain is made fully efficient by the support of a central management information system designed to meet our needs over the short, medium and long terms.

We make every effort to facilitate our customers' business and to improve the efficiency of their purchases at our centres or at richelieu.com. In 2012, we further automated our logistics operations and thereby enhanced our quality of service and efficiency. The team in charge of our supply chain is made up of seasoned professionals who ensure that our logistics remain well instrumented, interconnected and efficient network-wide.

Thanks to our rigorous execution, use of the right management tools, interactive website and efficient paperless system, we obtain an optimal service rate and minimize inventory costs while broadening our offering.

Last November, our U.S. East Coast operations temporarily hit by Hurricane Sandy were able to appreciate our efficient integrated logistics, as we met our customers' various needs across the region with the support of some of our other centres.

We can rely on our ongoing innovation strategy as a key growth driver for our customers and our Company. We manage our product offering to ensure it remains innovative and well adapted to today's market.

We always consider the potential of any innovations and products we might introduce to our offering. New technologies and design are a constant source of innovation for our product lines. Our worldwide suppliers are outstanding partners with whom we have built relationships of trust based entirely on performance, creative collaboration and mutual loyalty.

In 2012, we introduced various innovations intended for major commercial and architectural woodworking projects as well as smaller-scale residential concepts fitting new urban housing trends. Some of these new solutions enter into retractable furniture and compact or concealed units designed for small areas with a focus on space gain, comfort and quality design.

Architects and designers are influential partners for us, and we hence consider them with the utmost regard. To keep them up-to-date on our innovations, we have designed information sessions with them specifically in mind.

Our innovation strategy entails that we go beyond the current needs expressed by our customers. We provide them with real added value by seeking out the most functional and innovative products from many of the best manufacturers worldwide. We offer these products through diversified channels, including showrooms, many exclusive brochures and catalogues, a strong presence at major planning and design trade shows in North America, and our trilingual website.

richelieu.com is the most complete, well-documented and interactive portal in our field. Our easily accessible, user-friendly transactional site has become a search and configuration tool supporting the business of our customers.

We can rely on the initiatives and quality of execution of our team, more than half of whom specialize in sales and customer service. But at Richelieu, quality of service is everyone's concern.

Our customer culture is shared network-wide. It is based on common values, including sound listening skills, an innovation, efficiency and results mindset, integrity and mutual trust. This culture also gives us a competitive edge. In the process of integrating our acquisitions, the teams who join us commit to these values, and we also benefit from theirs.

Training is more than ever key to our customer service strategy, given our high standards of service, our extensive team, the acquisitions we integrate and our strengthened operational structure in the United States. In 2012, we further increased and fine-tuned our professional training and skills development programs, especially in service and sales. We emphasize retaining the best resources. We benefit from an outstanding skills base and we enjoy a very low employee turnover rate.

We also innovate in our way of serving customers by giving them access to our offering through our multichannel service strategy. All our service and interaction channels are a priority, whether it be our representatives, sales desks and showrooms, telephone orders department or website. We have management tools to assess our daily service performance, and we take any necessary adjustment measures.

Our corporate vision guides us in our growth strategies with a view to sustaining our North American leadership over the long term.

We are committed to maintaining Richelieu as a top-quality, prosperous and solid company, while pursuing our growth strategy through internal growth and acquisitions. We will continue to strengthen our fundamentals, improve our ways of doing business and create opportunities.

Our customers will remain central to our decision-making. We will ensure we maintain the role of growth partner to which we are committed, by building upon our innovation strategy and impeccable competitive service.

We will continue to exercise forward-looking management and transparent evaluation of our performance. As the past has shown, our customer orientation will be of benefit to our other growth partners – our shareholders, employees and suppliers with whom we enjoy special ties.

Changes to Board of Directors

In conclusion, we sincerely thank Mr. Robert Chevrier for contributing to Richelieu's success for over twenty years. Mr. Chevrier has stepped down as our Chairman of the Board, a position he held since April 2005, after we had benefited from his counsel as Director since 1991. We wish him the greatest success in his new responsibilities. Mr. Jocelyn Proteau, who has been with our Board since 2005, succeeds Mr. Chevrier as Chairman. Mr. Proteau has acquired a wealth of extensive experience in senior management positions, notably at the Desjardins Group and as Chairman of the Board at Standard Life Canada from 2004 to 2009 and at BTB Real Estate Investment Trust, as well as Director of several organizations such as HEC Montréal.

On January 24, 2013, we were pleased to welcome Mr. Marc Poulin as Director. Currently President and Chief Executive Officer of Sobeys Inc., Mr. Poulin has solid experience in management, marketing and strategic merchandising in the retail industry, having held various senior management positions at Sobeys Québec Inc. over the past twelve years and for eight years at Provigo Distribution. His specialized experience and dynamism will be of great benefit to Richelieu.

We wish to thank our directors, all our customers, our suppliers and our other business partners. We express our gratitude to our team members for their determination to be the best and their commitment to remaining actively involved in Richelieu's future success.

(Signed) Richard Lord

President and Chief Executive Officer

60 inter-connected centres process and deliver thousands of orders within 24 hours every day.

60 centres

CANADA
34 DISTRIBUTION CENTRES

St. John's, Halifax, Moncton, Drummondville, Quebec City (3), Montreal, Longueuil (2), Laval (2), Ottawa, Toronto, Mississauga, Barrie, Kitchener, Sudbury, Thunder Bay, Winnipeg, Regina, Saskatoon, Edmonton (2), Calgary (3), Kelowna, Vancouver (4), Victoria (2)

+ 2 MANUFACTURING CENTRES

Longueuil, Notre-Dame-Des-Pins

UNITED STATES
24 DISTRIBUTION CENTRES

Boston, Hartford, New York, Avenel, Lincoln Park, Syracuse, Raleigh, Greensboro, Riviera Beach, Dania, Pompano, Hialeah, Charlotte, Greenville, Cleveland, Columbus, Detroit, Atlanta, Cincinnati, Louisville, Indianapolis, Nashville, Chicago, Seattle

In 2012, we further increased our penetration of the U.S. manufacturers market and greatly enhanced our presence in the retailers market.

In order to meet growth needs, we reinforced our sales and customer service structure, along with our representation towards U.S. architects and designers, and continued to invest in the training of our teams, who are organized according to our markets, products and customers.

Chicago

The U.S. market holds strong growth potential that Richelieu has undertaken to successfully build upon.

Seattle

Cleveland

Pompano

Nashville

Indianapolis

Atlanta

Columbus

Avenel

Lincoln Park

Syracuse

Raleigh

Greenboro

Thanks to the reach and strength of our Canadian network, combined with our service and sales force, we always remain very close to our customers. Our commitment to innovation, thoroughness and quality of execution makes all the difference to them. It is a value-added creation driver for them and for us.

Toronto

Richelieu maintains long-lasting relationships with its shareholders, its customers, its employees and its suppliers.

Vancouver Kelowna Victoria Winnipeg Sudbury Regina Kitchener Ottawa Thunder Bay Saskatoon St. John's Halifax Moncton Edmonton Calgary Barry

New York City

On the strength of its organization and innovation strategy, Richelieu has built a reputation as a driver of worldwide innovations, including in the U.S. marketplace.

Detroit

Hartford

Charlotte

Boston

Seattle

Greenville

Cincinnati

Riviera Beach

Dania

Hialeah

Louisville

Our awareness of workplace, retail and living space layout trends, our sustained innovation strategy and our specialty product expertise position us as the leader with our offering of functional, architectural and decorative hardware.

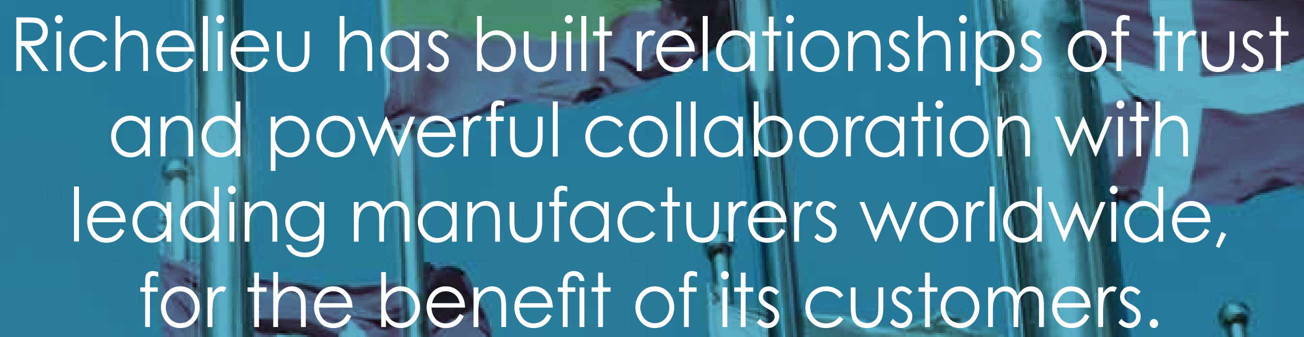
Our U.S. customers can find an outstanding offering meeting all sizes of diversified needs in our strategically located centres, such as eco-friendly layouts, ergonomic office solutions, space management solutions, and the latest urban trends in innovative compact housing designs.

At Richelieu, the customer can complete his sale even before placing his order, with the help of richelieu.com and the selling tools we make available.

Our customer-orientation is certainly defined by our efficient logistics, the scope and diversity of our product offering, and the unique selling tools available to our customers, but also by the many benefits of our website.

Via richelieu.com, the only trilingual site in our field in North America, our customers access Richelieu from anywhere. They benefit from complete paperless administration of their orders. Thanks to our numerous website product configurators, they place their orders according to their own specifications in various product categories.

Our quality and innovation approach is rooted in our long-standing partnership with the most rigorous and innovative manufacturers worldwide, including manufacturers from Quebec, other Canadian provinces and the United States.



Richelieu has built relationships of trust and powerful collaboration with leading manufacturers worldwide, for the benefit of its customers.

Austria England Germany Swiss Italy Canada United States Spain Asia

Social and Environmental Responsibility

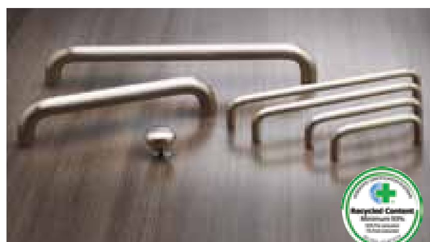
With a rigorous eco-responsible approach, we respect the principles of sustainable development and environmental regulations.

All our team is concerned with social responsibility, which involves local mutual aid and compliance with a set of values. That was the case, for instance, when Hurricane Sandy hit the U.S. East Coast where we serve a large customer base of small and medium-sized businesses. Our local teams and trucking fleet were rapidly called upon to deliver necessary commodities and emergency supplies to the affected communities. Across our North American network, we share a corporate culture rooted in good governance, service excellence, innovation, partnership and mutual aid. We endeavour to maintain a compensation policy that favours the retention of the best resources, offer effective training programs, and observe the strictest workplace safety and security measures.

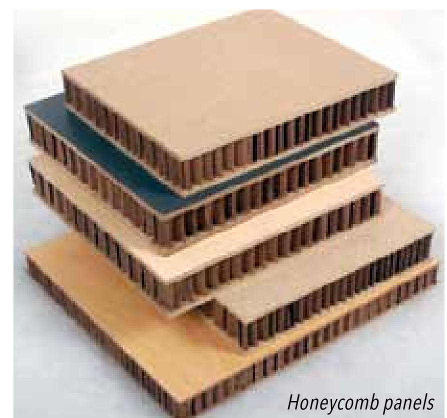
We have developed a strong environmental awareness. Our distribution and manufacturing operations do not have a material impact on the environment. Nevertheless, our organization-wide approach is eco-responsible, which notably involves the minimal use of paper, smart product packaging, electronic transmission of reports, holding meetings and training sessions via teleconference, and using vegetable-based inks and recycled paper. We also ensure that residual materials, containers and obsolete inventory components are managed ecologically. We increase the energy-efficiency of our offices, warehouses and showrooms with efficient lighting systems. Our website at richelieu.com is an efficient paperless administrative management tool, as it is used by many of our customers to place their orders and settle their invoices.

We continuously expand our offering of eco-responsible and "green" certified products. Our manufacturer and retailer customers source a large number of FSC and Greenguard certified products from our centres. We have several thousand items that guarantee a sound environmental performance, including water-based finishing products and glues, formaldehyde-free decorative panels, items made from recycled materials such as the sturdy lightweight honeycomb panels used in the manufacture of tables and storage furniture, and LED lighting systems.

Support, Hurricane Sandy



LED lighting


Honeycomb panels

DIRECTORS

Jocelyn Proteau *
Chairman of the Board
Richelieu Hardware Ltd.
Director of Corporations

Richard Lord
President and Chief Executive Officer
Richelieu Hardware Ltd.

Mathieu Gauvin (1)
Partner
RSM Richter Inc.

Jean Douville (2)
Chairman of the Board
UAP Inc.
Chairman of the Board
National Bank of Canada
Director of Corporations

Pierre Bourgie (1)
President and Chief Executive Officer
Bourgie Financial Corporation (1996) Inc.
President, Ipso Facto
Director of Corporations

Denyse Chicoyne (1)
Director of Corporations

Robert Courteau (2)
President and Chief Executive Officer
SPI Health and Safety Inc.

Marc Poulin **
President and Chief Executive Officer
Sobeys Inc.

(1) Member of the Audit Committee

(2) Member of the Human Resources and Corporate Governance Committee

* Elected Chairman of the Board on January 24, 2013 following the departure of Mr. Robert Chevrier

** Appointed on January 24, 2013

OFFICERS

Richard Lord
President and Chief Executive Officer

Antoine Auclair
Vice-President and
Chief Financial Officer

Guy Grenier
Vice-President, Sales and Marketing
– Sales to Manufacturers Division

Christian Ladouceur
Vice-President, Sales and Marketing
– Sales to Retailers Division

Éric Daignault
General Manager of Divisions

Marion Kloibhofer
General Manager
– Central Canada

John Statton
General Manager
– Western Canada and Western United States

Charles White
General Manager
– United States

Christian Dion
Manager – Human Resources

Geneviève Quevillon
Manager – Logistics and Supply Chain

Hélène Lévesque
Corporate Secretary

Management's Report

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Year Ended November 30, 2012

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2012 HIGHLIGHTS

For Richelieu, 2012 was another year focused on growth, productivity, innovation and customer service quality, as reflected by the increase in its performance indicators. The 10 acquisitions closed between 2010 and 2012, including last May's transaction with CourterCo, brought a solid contribution to results and their integration has led to accretive synergies that will yield further benefits in the coming years. To this contribution were added good internal growth in Canadian markets and a strong advance in the United States where Richelieu continues to increase its market share and product offering to manufacturers and retailers. The Company's financial position remains impeccable, with almost no debt and excellent liquidity. During the year, shareholders received a total of $10 million in dividends, and the Company repurchased shares for some $6 million. Richelieu remains strongly positioned to pursue its business strategy in North America in 2013.

- Consolidated sales totalled $565.8 million, up 8.0% over 2011.
- Earnings before income taxes, interest and amortization (EBITDA) rose 6.0% to $71.2 million.
- Net earnings attributable to shareholders amounted to $45.4 million or $2.17 per share (basic) and $2.15 (diluted), compared with $1.89 per share (basic) and $1.87 (diluted) in 2011, an increase of 14.8% and 15.0% respectively.
- The EBITDA margin stood at 12.6%, compared with 12.8% in 2011.
- Cash flows from operating activities grew to $54.4 million, up 8.4% over 2011.
- As at November 30, 2012, working capital totalled $200.1 million (4.6:1 current ratio), an increase of 19.9% over November 30, 2011.
- Cash and cash equivalents reached $51.6 million.
- Total debt amounted to $2.6 million, of which $0.8 million in long-term debt.
- Richelieu paid dividends of $10.0 million to its shareholders during 2012, an increase of 8.2%, representing 22.1% of the year's net earnings attributable to shareholders, and repurchased outstanding common shares (RCH) under its normal course issuer bid for a consideration of $5.9 million.
- In May 2012, the Company closed the acquisition of the principal net assets of CourterCo Inc. ("CourterCo"), which at the time operated three centres in the United States (Indianapolis, Indiana; Louisville, Kentucky; and Greensboro, North Carolina).

This management's report relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the year ended November 30, 2012 in comparison with the year ended November 30, 2011, as well as the Company's financial position at those dates. This report should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2012 and accompanying notes appearing in the Company's Annual Report. In this management's report, "Richelieu" or the "Company" designates, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Various supplementary documents, such as the Annual Information Form, interim management's reports, Management Proxy Circular, certificates signed by the Company's President and Chief Executive Officer and Vice-President and Chief Financial Officer, as well as press releases issued during the year ended November 30, 2012, are available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The information contained in this management's report accounts for any major event occurring prior to January 24, 2013, on which date the audited consolidated financial statements and annual management's report were approved by the Company's Board of Directors. Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"), which since December 1, 2011 represent the Canadian generally accepted accounting principles ("GAAP") applicable to the Company. The consolidated financial statements for the fourth quarter ended November 30, 2012 have not been audited or reviewed by the Company's auditors.

Richelieu uses earnings before income taxes, interest and amortization ("EBITDA") because this measure enables management to assess the Company's operational performance. This measure is a widely accepted financial indicator of a company's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or the net earnings attributable to shareholders of the Company, as an indicator of financial performance or cash flows, or as a measure of liquidity. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses cash flows from operating activities and cash flows from operating activities per share. Cash flows from operating activities are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations.

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this management's report, including statements relating to the expected sufficiency of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith, regarding future events, including the assumption that economic conditions and exchange rates will not significantly deteriorate, the Company's deliveries will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply and product liability, as well as other factors set forth in the Company's 2012 Annual Report (see the "Risk Management" section of this management's report and the 2012 Annual Information Form available on SEDAR at www sedar.com).

Richelieu's actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except where provided for by applicable legislation.

GENERAL BUSINESS OVERVIEW AS AT NOVEMBER 30, 2012

Richelieu Hardware Ltd. is a leading North American importer, distributor and manufacturer of specialty hardware and related products.

Its products are targeted to an extensive customer base of **kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry**, as well as a large customer base of **hardware retailers, including renovation superstores**. The residential and commercial renovation industry is the Company's major source of growth.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The Company's product selection consists of **some 90,000 different items** targeted to a base of **nearly 70,000 customers** who are served by **60 centres in North America** – 34 distribution centres in Canada, 24 in the United States and two manufacturing plants in Canada.

Main product categories include functional cabinet hardware and assembly products for the manufacture of furniture and kitchen cabinets, decorative hardware products, high-pressure laminates, decorative and functional panels, kitchen accessories, ergonomic workstation components, finishing products, whiteboards and tackboards, and floor protection products. Richelieu also specializes in the manufacture of a wide variety of veneer sheets and edgebanding products through its subsidiary Cedan Industries Inc., and of components for the window and door industry and mouldings through Menuiserie des Pins Ltée. In addition, some of the Company's products are manufactured in Asia according to its specifications and those of its customers.

The Company employs about 1,700 people at its head office and throughout the network, close to half of whom work in marketing, sales and customer service. Approximately 70% of its employees are Richelieu shareholders.

MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and entrepreneurship.

To sustain its growth and remain the leader in its specialty market, the Company continues to implement the strategy that has benefited it until now, with a focus on:

- continuing to strengthen its product selection by annually introducing diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service; and
- expanding in North America through the opening of distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementary to its product mix and expertise.

Richelieu's solid and efficient organization, highly diversified product selection and long-term relationships with leading suppliers worldwide position it to compete effectively in a fragmented market consisting mainly of a host of regional distributors who distribute a limited range of products.

FINANCIAL HIGHLIGHTS (audited)

(in thousands of $, except per-share amounts, number of shares and data expressed as a %)

	2012 [1]	2011 [1]	2010 [2]	2009 [2]
Years ended November 30	**$**	$	$	$
Sales	**565,798**	523,786	446,963	415,592
EBITDA [3]	**71,163**	67,149	63,832	51,588
EBITDA margin (%)	***12.6***	*12.8*	*14.3*	*12.4*
Net earnings	**45,909**	40,105	39,233	30,404
Net earnings attributable to shareholders of the Company	**45,404**	39,726	38,574 [4]	30,605 [4]
▪ basic per share ($)	**2.17**	1.89	1.79	1.39
▪ diluted per share ($)	**2.15**	1.87	1.78	1.39
Net margin attributable to shareholders of the Company (%)	***8.0***	*7.6*	*8.6*	*7.4*
Cash flows from operating activities [5]	**54,403**	50,183	45,059	37,310
▪ diluted per share ($)	**2.57**	2.36	2.08	1.69
Cash dividends paid on shares	**10,026**	9,267	7,768	7,032
▪ per share ($)	**0.48**	0.44	0.36	0.32
Weighted average number of shares outstanding (diluted) (in thousands)	**21,137**	21,262	21,705	22,019
As at November 30				
Total assets	**349,869**	318,676	320,816	286,928
Working capital	**200,088**	166,897	162,727	150,485
Current ratio	***4.6***	*4.0*	*3.7*	*4.7*
Equity	**287,942**	256,187	253,869	240,500
Return on average equity (%)	**16.9**	16.5	15.9	13.0
Book value ($)	**13.65**	12.11	12.01	11.04
Total debt	**2,563**	5,544	2,858	668
Cash and cash equivalents	**51,587**	29,095	39,289	48,442

(1) The financial statements for 2012 and those for 2011, for comparative purposes, have been prepared in accordance with IFRS.
(2) The financial statements for 2010 and 2009 have been prepared in accordance with GAAP.
(3) EBITDA is a non-IFRS measure, as described on page 24 of this report.
(4) Net earnings from continuing operations.
(5) Cash flows from operating activities and cash flows per share are non-IFRS measures, as described on page 24 of this report.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2012 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2011

Consolidated sales

(in thousands of $, except exchange rate)

Years ended November 30	2012	2011	Δ %
Canada	445,140	424,609	+ 4.8
United States (CA$)	120,658	99,177	+ 21.7
(US$)	120,403	100,454	+ 19.9
Average exchange rate	*1.0021*	*0.9873*	
Consolidated sales	565,798	523,786	+ 8.0

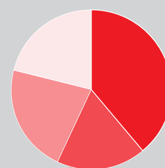
Richelieu achieved **consolidated sales** of $565.8 million, an increase of $42.0 million or 8.0% over 2011, of which 5.6% from internal growth and 2.4% from the contribution of Outwater Hardware ("Outwater") and Madico Inc. ("Madico") acquired in January 2011, along with Provincial Woodproducts Ltd. ("Provincial"), acquired in March 2011, and CourterCo, acquired in May 2012.

The Company's sales to **manufacturers** totalled $476.9 million, compared with $444.7 million for 2011, an increase of $32.2 million or 7.2%, of which 4.6% from internal growth and 2.6% from the aforementioned acquisitions. Most of the Company's market segments contributed to this growth, especially kitchen and bathroom cabinet manufacturers and the residential and commercial woodworking industry. Thanks notably to its sustained innovation strategy and introduction of new products, Richelieu's sales to hardware **retailers** and renovation superstores grew by 12.4% or $9.8 million to $88.9 million, up from $79.1 million for 2011.

In Canada, Richelieu recorded sales of $445.1 million, compared with $424.6 million for 2011, an increase of $20.5 million or 4.8%, of which 4.1% from internal growth and 0.7% from Madico and Provincial. Its three geographic markets contributed to this growth, with increases of 6.0% in Eastern Canada, 3.7% in Ontario and 3.8% in Western Canada over 2011. Richelieu's sales to Canadian **manufacturers** amounted to $363.7 million, an increase of 4.1%, of which 3.4% from internal growth and 0.7% primarily from Provincial's contribution. Sales to hardware **retailers** and renovation superstores stood at $81.4 million, compared with $75.4 million for 2011, up 8.1% thanks notably to the aforementioned factors, specifically the innovation strategy and the increase in the product offering at Canadian retailers, to which was added the contribution of Madico.

In the United States, Richelieu's sales grew by US$19.9 million or 19.9% to US$120.4 million, compared with US$100.5 million for 2011. Internal growth came to 10.5%, to which was added a 9.4% growth from Outwater and CourterCo. In Canadian dollars, U.S. sales amounted to $120.7 million, compared with $99.2 million for 2011, an increase of 21.7%, of which 12.1% from internal growth and 9.6% from the two aforementioned acquisitions. They accounted for 21.3% of 2012 consolidated sales, whereas in 2011, U.S. sales had represented 18.9% of the year's consolidated sales. Richelieu's sales to **manufacturers** totalled US$113.0 million, an increase of 16.9%, of which 7.2% from internal growth and 9.7% from the contribution of Outwater and CourterCo. As for sales to hardware **retailers** and renovation superstores, they rose 95.8% (in US$), reflecting the market development efforts including the impact of the exceptional sales resulting from the increase in the in-store product offering, notably in the second half of the year.

Sales



Eastern Canada and Atlantic Provinces	39%
Ontario	18%
Western Canada	22%
United States	21%

Manufacturers	84%
Retailers	16%

Consolidated EBITDA and EBITDA margin

(in thousands of $, unless otherwise indicated)

Years ended November 30	2012	2011
Sales	565,798	523,786
EBITDA	71,163	67,149
EBITDA margin (%)	*12.6*	*12.8*

Earnings before income taxes, interest and amortization (EBITDA) totalled $71.2 million, up 6.0% over 2011. **The gross profit margin** remained relatively stable compared with 2011, as did **the EBITDA margin** which stood at 12.6% versus 12.8% the previous year.

Income taxes decreased to $17.9 million, down by $1.4 million from 2011. The reduction in the tax burden is due to fluctuations in results by region where the Company and its subsidiaries are subject to tax rates and tax regulations differing from one another.

Consolidated net earnings attributable to shareholders

(in thousands of $, unless otherwise indicated)

Years ended November 30	2012	2011
EBITDA	71,163	67,149
Amortization of property, plant and equipment and intangible assets	7,513	7,684
Financial costs, net	(198)	(13)
Income taxes	17,939	19,373
Net earnings	45,909	40,105
Net earnings attributable to shareholders of the Company	45,404	39,726
Net margin attributable to shareholders of the Company (%)	*8.0*	*7.6*
Non-controlling interests	505	379
Net earnings	45,909	40,105

Net earnings grew by 14.5% for 2012. Considering non-controlling interests, **net earnings attributable to shareholders** totalled $45.4 million, an increase of 14.3% or $5.7 million over 2011. **The net margin attributable to shareholders** improved to 8.0%. **Earnings per share** amounted to $2.17 basic and $2.15 diluted, compared with $1.89 basic and $1.87 diluted for 2011, an increase of 14.8% and 15.0% respectively.

Comprehensive income stood at $44.8 million, on account of a negative adjustment of $1.2 million on translation of the financial statements of the subsidiary in the United States, compared with $40.2 million for 2011, on account of a positive adjustment of $0.1 million on translation of the financial statements of the subsidiary in the United States.

SUMMARY OF QUARTERLY RESULTS (unaudited)

(in thousands of $, except per-share amounts)

Quarters	1	2	3	4
2012				
▪ **Sales**	**124,083**	**147,107**	**148,782**	**145,826**
▪ **EBITDA**	**13,280**	**18,617**	**19,636**	**19,630**
▪ **Net earnings attributable to shareholders of the Company**	**8,004**	**11,997**	**12,761**	**12,642**
basic per share	**0.38**	**0.57**	**0.61**	**0.61**
diluted per share	**0.38**	**0.57**	**0.60**	**0.60**
2011				
▪ Sales	113,192	139,178	136,132	135,284
▪ EBITDA	12,018	17,075	19,153	18,903
▪ Net earnings attributable to shareholders of the Company	6,989	10,015	11,411	11,311
basic per share	0.33	0.48	0.54	0.54
diluted per share	0.33	0.47	0.54	0.54
2010 (GAAP)				
▪ Sales	95,183	117,960	115,957	117,863
▪ EBITDA	10,880	18,764	17,054	17,134
▪ Net earnings	7,002	11,502	10,348	10,381
basic per share	0.32	0.53	0.48	0.49
diluted per share	0.32	0.53	0.48	0.48

Quarterly variations in earnings – The first quarter ending February 28 is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

Note: For further information about the Company's performance in the first, second and third quarters of 2012, the reader is referred to the interim management's reports available on SEDAR's website at www.sedar.com.

FOURTH QUARTER ENDED NOVEMBER 30, 2012

Richelieu achieved **consolidated sales** of $145.8 million, an increase of $10.5 million or 7.8% over the corresponding quarter of 2011, of which 5.5% from internal growth and 2.3% from the acquisition of CourterCo.

The Company's sales to **manufacturers** totalled $125.3 million, compared with $117.0 million for the corresponding period of 2011, an increase of $8.3 million or 7.1%, of which 4.5% from internal growth and 2.6% from the aforementioned acquisition. During the fourth quarter, Richelieu continued to achieve a very good performance in its principal market segments, specifically kitchen and bathroom cabinet manufacturers and the residential and commercial woodworking industry, in both Canada and the United States. The Company's sales to hardware **retailers** and renovation superstores amounted to $20.5 million, compared with $18.3 million for the corresponding quarter of 2011, an increase of $2.2 million or 12.0% to which all its geographic markets contributed, thanks notably to its sustained innovation strategy and the greater diversity of its product offering.

In Canada, sales amounted to $114.6 million, up from $108.4 million for the fourth quarter of 2011, an increase of $6.2 million or 5.7% stemming from internal growth. The markets in Eastern Canada, Ontario and Western Canada contributed to this growth with increases of 7.4%, 2.8% and 5.1% respectively. The Company's sales to **manufacturers** grew by 5.4% to $96.4 million, compared with $91.4 million for the fourth quarter of 2011. Richelieu's sales to hardware **retailers** and renovation superstores increased by 7.4%, thanks notably to the in-store introduction of new products; they totalled $18.2 million, compared with $17.0 million for the corresponding quarter of 2011.

In the United States, the Company recorded sales of US$31.6 million, compared with US$26.5 million for the corresponding quarter of 2011, an increase of US$5.1 million or 19.4%, of which 7.3% from internal growth and 12.1% from the contribution of CourterCo. Constant market penetration efforts and the introduction of new product lines to manufacturers and retailers continued to yield benefits. This growth is all the more appreciable as the fourth quarter was partially affected by an activity slowdown on the U.S. East Coast caused by Hurricane Sandy at the end of October. In Canadian dollars, U.S. sales amounted to $31.2 million, compared with $26.9 million for the corresponding quarter of 2011, an increase of 16.1%, of which 4.4% from internal growth and 11.7% from CourterCo. They accounted for 21.4% of fourth-quarter consolidated sales, whereas for the fourth quarter of 2011, U.S. sales had represented 19.9% of the period's consolidated sales. The Company's sales to **manufacturers** amounted to US$29.3 million, an increase of 16.5%, of which 4.0% from internal growth and 12.5% from CourterCo. As for sales to hardware **retailers** and renovation superstores, they grew by 77.5% (in US$), reflecting the market development efforts and the impact of the exceptional sales resulting from the in-store introduction of additional products during the fourth quarter.

Earnings before income taxes, interest and amortization (EBITDA) totalled $19.6 million, an increase of 3.8% over the corresponding quarter of 2011, primarily reflecting the sales growth. Notwithstanding the recent acquisition of CourterCo whose product mix differs from that of Richelieu and the impact of the introduction of additional products in the retailers market, **the gross profit margin** remained stable compared with the corresponding quarter of 2011 and **the EBITDA margin** stood at 13.5%.

Income taxes decreased to $5.0 million, down by $0.5 million from the fourth quarter of 2011. The reduction in the tax burden is due to fluctuations in results by region where the Company and its subsidiaries are subject to tax rates and tax regulations differing from one another.

Fourth-quarter **net earnings** grew by 12.1%. Considering non-controlling interests, **net earnings attributable to shareholders of the Company** totalled $12.6 million, an increase of 11.8% over the corresponding quarter of 2011. **The net margin attributable to shareholders** improved to 8.7%. **Earnings per share** amounted to $0.61 basic and $0.60 diluted, up from $0.54 basic and diluted for the fourth quarter of 2011, an increase of 13.0% and 11.1% respectively.

Comprehensive income stood at $13.2 million, on account of a positive adjustment of $0.4 million on translation of the financial statements of the subsidiary in the United States, compared with $12.7 million for the corresponding quarter of 2011, on account of a positive adjustment of $1.3 million on translation of the financial statements of the subsidiary in the United States.

Cash flows from operating activities (before net change in non-cash working capital balances) totalled $14.8 million or $0.70 diluted per share, remaining virtually identical to those for the fourth quarter of 2011. Net change in non-cash working capital balances provided cash flows of $2.8 million, compared with $3.7 million for the fourth quarter of 2011. Consequently, operating activities provided cash flows of $17.6 million, compared with $18.4 million for the fourth quarter of 2011.

Financing activities represented a cash outflow of $5.6 million, compared with $5.8 million for the corresponding quarter of 2011. The Company paid shareholder dividends of $2.5 million, an increase of 8.8%, on account of the 9.1% dividend increase announced in January 2012. During the quarter, Richelieu repurchased common shares under its normal course issuer bid for $3.1 million, compared with $3.9 million for the fourth quarter of 2011. In addition, it issued common shares for $0.3 million upon the exercise of options under its stock option plan, compared with $0.7 million in the corresponding quarter of 2011.

Investing activities represented a cash outflow of $2.3 million, primarily for equipment needed for operations, whereas the Company had invested $0.7 million in various property, plant and equipment during the corresponding quarter of 2011.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2012

Change in cash and cash equivalents and capital resources

(in thousands of $))

Years ended November 30	**2012**	2011
Cash flows provided by (used for):		
Operating activities	**45,622**	38,313
Financing activities	**(16,214)**	(19,690)
Investing activities	**(7,183)**	(29,080)
Effect of exchange rate changes	**267**	263
Net change in cash and cash equivalents	**22,492**	(10,194)
Cash and cash equivalents, beginning of year	**29,095**	39,289
Cash and cash equivalents, end of year	**51,587**	29,095

As at November 30	**2012**	2011
Working capital	**200,088**	166,897
Renewable line of credit (CA$)	**26,000**	26,000
Renewable line of credit (US$)	**6,000**	5,000

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) totalled $54.4 million or $2.57 diluted per share, compared with $50.2 million or $2.36 diluted per share for 2011, primarily reflecting the $5.8 million increase in net earnings and the $1.6 million decrease in deferred taxes. Net change in non-cash working capital used cash flows of $8.8 million, compared with $11.9 million for 2011. Changes in accounts receivable and inventories used cash flows of $10.8 million, whereas other items represented a cash inflow of $2.0 million. Consequently, operating activities provided cash flows of $45.6 million, compared with $38.3 million for 2011.

Financing activities

Richelieu paid shareholder dividends of $10.0 million, up 8.2% over 2011, on account of the 9.1% dividend increase announced in January 2012. The Company also issued common shares for $2.6 million upon the exercise of options under its stock option plan, compared with $1.5 million in 2011, and repurchased common shares under its normal course issuer bid for $5.9 million, compared with $10.5 million in 2011. Furthermore, Richelieu repaid $2.9 million on its long-term debt, compared with a $1.4 million repayment in 2011. Consequently, financing activities represented a cash outflow of $16.2 million, compared with $19.7 million for 2011.

Investing activities

During 2012, the Company invested a total of $7.2 million, of which $2.4 million in the acquisition of the net assets of CourterCo and $4.8 million in software and equipment required for its operations. It is to be noted that during 2011, the Company had invested $29.1 million, of which $18.4 million in the acquisition of the net assets of Outwater, the shares of Madico and 85% of the common shares of Provincial and $10.7 million in property, plant and equipment, primarily in the expansion of the Montreal and Laval distribution centres as well as complementary modules to its information technology system.

Sources of financing

As at November 30, 2012, **cash and cash equivalents** totalled $51.6 million, compared with $29.1 million a year earlier. The Company posted a **working capital** of $200.1 million for a current ratio of 4.6:1, compared with $166.9 million (4.0:1 ratio) as at November 30, 2011.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities planned for 2013. The Company continues to benefit from an authorized line of credit of CA$26 million as well as a line of credit of US$6 million renewable annually and bearing interest respectively at prime rate and at base rate. In addition, the Company estimates it could obtain access to other outside financing if necessary.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill Richelieu's requirements, the availability of credit will remain stable in 2013, and no unusual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

Analysis of financial position as at November 30, 2012

Summary financial position

(in thousands of $)

As at November 30	**2012**	2011
Current assets	**256,210**	223,059
Long-term assets	**93,659**	95,617
Total	**349,869**	318,676
Current liabilities	**56,122**	56,162
Long-term liabilities	**5,805**	6,327
Equity attributable to shareholders of the Company	**283,835**	252,467
Non-controlling interests	**4,107**	3,720
Total	**349,869**	318,676
Exchange rate on translation of a subsidiary in the United States	***0.9936***	*1.0203*

Assets

Total assets amounted to $349.9 million as at November 30, 2012, compared with $318.7 million a year earlier, up by 9.8% or $31.2 million. This increase resulted from the Company's growth and the CourterCo acquisition. **Current assets** grew by 14.9% or $33.2 million over November 30, 2011, notably reflecting the increases of $8.9 million in inventories, $22.5 million in cash and cash equivalents and $3.4 million in accounts receivable, whereas prepaid expenses decreased by $0.4 million and income taxes receivable by $1.2 million.

Net cash

(in thousands of $)

As at November 30	**2012**	2011
Current portion of long-term debt	**1,743**	4,309
Long-term debt	**820**	1,235
Total	**2,563**	5,544
Cash and cash equivalents	***51,587***	*29,095*
Total cash net of debt	**49,024**	23,551

The Company benefits from an excellent financial position to pursue its business strategy. As at November 30, 2012, **total debt** amounted to $2.6 million, of which $0.8 million in long-term debt and a current portion of $1.7 million representing the balances payable on previous acquisitions.

Equity reached $283.8 million as at November 30, 2012, compared with $252.5 million as at November 30, 2011, an increase of 12.4% stemming mainly from the $29.7 million growth in retained earnings which totalled $258.8 million as at November 30, 2012 and a $3.6 million increase in share capital, less the change in accumulated other comprehensive income of $1.2 million and the change in contributed surplus of $0.8 million. **The book value per share** stood at $13.65 at 2012 year-end, compared with $12.11 as at November 30, 2011.

Return on average equity stood at 16.9% as at November 30, 2012, compared with 16.5% a year earlier.

As at November 30, 2012, the Company's **share capital** consisted of 20,794,484 common shares (20,846,709 shares as at November 30, 2011). During the year, the Company issued 121,375 common shares at an average price of $21.22 (84,300 in 2011 at an average price of $18.24) upon the exercise of options under its stock option plan. Also during 2012, 173,600 common shares were purchased for cancellation under the Company's normal course issuer bid for a cash consideration of $5.9 million (372,800 common shares for a cash consideration of $10.5 million in 2011). Finally, during 2012, the Company granted 41,000 stock options (51,000 in 2011). Consequently, as at November 30, 2012, 762,000 stock options were outstanding (883,000 as at November 30, 2011).

CONTRACTUAL COMMITMENTS

Summary of contractual financial commitments as at November 30, 2012

(in thousands of $)

	2013	2014	2015	2016	2017	2018 and thereafter	Total
Long-term debt	1,743	820	–	–	–	–	2,563
Operating leases	6,874	5,550	4,328	3,098	1,453	1,298	22,601
Total	**8,617**	**6,370**	**4,328**	**3,098**	**1,453**	**1,298**	**25,164**

For 2013 and the foreseeable future, the Company expects cash flows from operating activities and other sources of financing to meet its ongoing contractual commitments.

The expectation set forth above consists of forward-looking information based on the assumption that economic conditions and exchange rates will not deteriorate significantly, operating expenses will not increase considerably, deliveries will be sufficient to fulfill its requirements, the availability of credit will remain stable in 2013, and no usual events will entail additional capital expenditures. This expectation also remains subject to the risks identified under "Risk Management".

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Company has a policy of not entering into derivatives for speculative or negotiation purposes and to enter into these contracts only with major financial institutions.

In notes (1) and (12) of the audited consolidated financial statements for the year ended November 30, 2012, the Company presents the information on the classification and fair value of its financial instruments, as well as on their value and management of the risks arising from their use.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has designed and evaluated internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P) to provide reasonable assurance that the Company's financial reporting is reliable and that its publicly-disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings,* the design and the effectiveness of internal controls over financial reporting as at November 30, 2012. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting (ICFR and DC&P) were effective. During the year ended November 30, 2012, management verified that there were no material changes in the Company's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and cannot forecast or detect inaccuracies. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated previously, the Company's audited consolidated financial statements for the year ended November 30, 2012 have been prepared by management in accordance with IFRS. Notes 2 and 16 accompanying the consolidated financial statements for 2012 present the new accounting policies and explain the extent to which the transition to IFRS had an impact on the Company's financial position, operating results and cash flows.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation and presentation of the consolidated financial statements and other financial information contained in this report require management to make estimates, assumptions and enlightened judgments. The Company's estimates are based upon assumptions which it believes to be reasonable, such as those based upon past experience. These estimates constitute the basis for the judgments regarding the carrying amounts of assets and liabilities that would not otherwise be readily available through other sources. Use of different methods might have yielded different amounts than those presented. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less. Cash and cash equivalents were classified as financial instruments in *financial assets at fair value through net earnings* and measured at fair value. Gains (losses) arising from remeasurement at each year-end are recorded in the consolidated statement of earnings.

Accounts receivable

Accounts receivable are classified as financial instruments in *loans and receivables* and carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Company, this measurement is usually equivalent to cost due to their short-term maturities..

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Company uses significant judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and loss. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over their useful lives. The main components with different useful lives are amortized separately. The amortization method and useful life estimates are reviewed annually.

Intangible assets

Intangible assets are acquired assets that lack physical substance and meet the specified criteria for recognition apart from goodwill and property, plant and equipment. Intangible assets consist of purchased or internally developed software, customer relationships, non-competition agreements and trademarks. Software and customer relationships are amortized on a straight-line basis over their estimated useful lives of three years and 10 to 20 years, respectively, while non-competition agreements are amortized over the terms of the agreements. Trademarks have an indefinite useful life and, therefore, are not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Company must determine whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in net earnings in an amount equal to the excess. The Company is required to test goodwill and intangible assets with indefinite lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ("CGU") or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for on the basis of estimated taxes recoverable or payable that would result from the recovery or settlement of the assets or liabilities at book value. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to be in effect in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they occur.

Foreign currency translation

The consolidated financial statements are presented in the Company's functional currency, which is the Canadian dollar. The Company follows the temporal method of translating foreign currency balances and transactions into Canadian dollars, except for the accounts of its foreign subsidiary. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Foreign exchange forward contracts

The Company periodically enters into foreign exchange forward contracts with major financial institutions to partially hedge the effects of changes in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions. The Company does not use derivatives for speculative purposes. The Company uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are classified as held-for-sale financial assets and liabilities and are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in earnings for the year. Assets or liabilities related to derivative financial instruments are included in accounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

RISK MANAGEMENT

Richelieu is exposed to different risks that can have an impact on its profitability. To offset them, the Company has adopted various strategies adapted to the major risk factors below.

Economic conditions

Richelieu's operations and financial results partly depend on general economic conditions and the economic factors specific to the renovation and construction industry. Any economic downturn can lead to a decline in sales and have an adverse impact on the Company's financial performance.

Market and competition

The specialty hardware and renovation products segment is highly competitive. Richelieu has developed a business strategy rooted in a product offering that is unmatched in various targeted niche markets in North America and sourced from suppliers around the world, in creative marketing and in unparalleled expertise and quality of service. Up to now, this strategy has enabled it to benefit from a solid competitive edge. However, if Richelieu were unable to implement its business strategy with the same success in the future, it could lose market share and its financial performance could be adversely affected.

Foreign currency

Richelieu is exposed to the risks related to currency fluctuations, primarily in regard to foreign-currency denominated purchases and sales made abroad.

The Company's products are regularly sourced from abroad through its import business. Thus, any increase in foreign currencies (U.S. dollar and the Euro) compared with the Canadian dollar tends to raise its supply cost and thereby affect its consolidated financial results. These currency fluctuation related risks are mitigated by the Company's ability to adjust its selling prices within a relatively short timeframe so as to protect its profit margins, although significant volatility in foreign currencies can have an adverse impact on its sales.

Sales made abroad are mainly recorded in the United States and account for more or less 20% of total sales. Any volatility in the Canadian dollar therefore tends to affect consolidated results. This risk is partially offset by the fact that major purchases are denominated in U.S. dollars.

To manage its currency risk, the Company uses derivative financial instruments, more specifically forward exchange contracts in U.S. dollars and Euros. There can be no assurance that the Company will not sustain losses arising from these financial instruments or fluctuations in foreign currency.

Supply and inventory management

Richelieu must anticipate and meet its customers' supply needs. To that end, the Company must maintain solid relationships with suppliers respecting its supply criteria. The inability to maintain such relationships or to efficiently manage the supply chain and inventories could affect the Company's financial position. Similarly, Richelieu must track trends and its customers' preferences and maintain inventories meeting their needs, failing which its financial performance could be adversely affected.

To mitigate its supply-related risks, Richelieu has built solid long-term relationships with numerous suppliers on several continents, most of whom are world leaders.

Acquisitions

Acquisitions in North America remain an important strategic focus for Richelieu. The Company will maintain its acquisition criteria and pay special attention to the integration of acquisitions. Nevertheless, there is no guarantee that a business matching Richelieu's acquisition criteria will be available and there can be no assurance that the Company will be able to make acquisitions at the same pace as in the past. However, note that the U.S. market is highly fragmented and acquisitions are smaller sized, which reduces the inherent financial and operational risks.

Credit

The Company is exposed to the credit risk related to its accounts receivable. Richelieu has adopted a policy defining the credit conditions for its customers to safeguard against credit losses arising from doing business with them. For each customer, the Company sets a specific limit that is regularly reviewed. The diversification of its products, customers and suppliers protects Richelieu against a concentration of its credit risk. None of its customers' accounts for more than 10% of its revenues.

Labour relations and qualified employees

To achieve its objectives, Richelieu must attract, train and retain qualified employees while controlling its payroll. The inability to attract, train and retain qualified employees and to control its payroll could have an impact on the Company's financial performance.

About one-quarter of Richelieu's workforce is unionized. The Company's policy is to negotiate collective agreements at conditions enabling it to maintain its competitive edge and a positive and satisfactory working environment for its entire team. Richelieu has not experienced any major labour conflicts over the past five years. Any interruption in operations as a result of a labour conflict could have an adverse impact on the Company's financial results.

Stability of key officers

Richelieu offers a stimulating working environment and a competitive compensation plan, which help it retain a stable management team. Failure to retain the services of a highly qualified management team could compromise the success of Richelieu's strategic execution and expansion, which could have an adverse impact on its financial results. To adequately manage its future growth, the Company adjusts its organizational structure as needed and strengthens the teams at the various levels of its business. It should be noted that approximately 70% of its employees, including senior officers, are Richelieu shareholders.

Product liability

In the normal course of business, Richelieu is exposed to various product liability claims that could result in major costs and affect the Company's financial position. Richelieu has agreements containing the usual limits with insurance companies to cover the risks of claims associated with its operations.

Crisis management and IT contingency plan

The IT structure implemented by Richelieu enables it to support its operations and contributes to ensure their efficiency. As the occurrence of a disaster, including a major interruption of its computer systems, could affect its operations and financial performance, the Company has implemented a crisis management and IT contingency plan to reduce the extent of such a risk. This plan provides among others for an alternate physical location in the event of a disaster, generators in the event of power outages and a relief computer as powerful as the central computer.

SHARE PRICE

In 2012, the share price fluctuated between $26.92 and $35.92, and the volume traded on the Toronto Stock Exchange totalled approximately 2.7 million shares. The closing price was $33.54 on November 30, 2012, compared with $27.22 as at November 30, 2011. Richelieu's share price has increased by 1,469% since its 1993 listing on the stock market. It should also be pointed out that the Company has paid shareholder dividends since 2002 and that the dividends paid in 2012 represented 22.1% of the year's net earnings attributable to shareholders.

SHARE INFORMATION AS AT JANUARY 24, 2013

Issued and outstanding common shares: 20,812,384

Stock options under stock option plan: 744,100

OUTLOOK

In 2013 and subsequent years, Richelieu will maintain its growth strategy, with a focus on innovation, market development and the creation of commercial and operational synergies with its latest acquisitions so as to continue driving its internal growth, as well as on efficiently integrated acquisitions consistent with its financial and operational objectives. On the strength of its business model and excellent resources, the Company will be able to take advantage of any eventual economic recovery in the United States.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

(Signed) Richard Lord

President and
Chief Executive Officer

(Signed) Antoine Auclair

Vice-President and
Chief Financial Officer

January 24, 2013

Management's Report

Related to the consolidated financial statements

The consolidated financial statements of Richelieu Hardware Ltd. (the "Company") and other financial information included in this Annual Report are the responsibility of the Company's management. These consolidated financial statements have been prepared by management in accordance with IFRS and approved by the Board of Directors.

Richelieu Hardware Ltd. maintains accounting and internal control systems which, in management's opinion, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the Company's activities.

The Board of Directors fulfills its responsibility regarding the consolidated financial statements included in the Annual Report, primarily through its Audit Committee. This committee which meets periodically with the Company's managers and external auditors, has reviewed the consolidated financial statements of Richelieu Hardware Ltd. and has recommended that they be approved by the Board of Directors.

The consolidated financial statements have been audited by the Company's external auditors, Ernst & Young LLP, Chartered Professional Accountants.

Montreal, Canada
January 24, 2013

(Signed) Richard Lord
President and Chief Executive Officer

(Signed) Antoine Auclair
Vice-President and Chief Financial Officer

Independent Auditors' Report

To the Shareholders of **Richelieu Hardware Ltd.**

We have audited the accompanying consolidated financial statements of Richelieu Hardware Ltd., which comprise the consolidated statements of financial position as at November 30, 2012 and 2011 and December 1, 2010, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended November 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

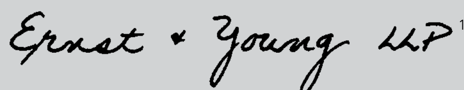
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richelieu Hardware Ltd. as at November 30, 2012 and 2011 and December 1, 2010 and its financial performance and its cash flows for the years ended November 30, 2012 and 2011 in accordance with International Financial Reporting Standards.



(Signed Ernst & Young LLP) Montreal, Canada
January 24, 2013

Chartered Professional Accountants

[1] CPA auditor, CA, public accountancy permit no. A120803

Consolidated Statements of Financial Position

As at November 30, 2012 and 2011 and December 1, 2010
(In thousands of dollars)

	Notes	2012 $	2011 $	2010 $
ASSETS				
Current assets	**3**			
Cash and cash equivalents		**51,587**	29,095	39,289
Accounts receivable		**75,721**	72,366	65,017
Income taxes receivable		**514**	1,688	–
Inventories		**127,607**	118,753	117,609
Prepaid expenses		**781**	1,157	837
		256,210	223,059	222,752
Non-current assets				
Property, plant and equipment	**3, 4**	**23,740**	24,927	18,473
Intangible assets	**3, 5**	**15,601**	16,639	7,420
Goodwill	**3, 5**	**51,405**	50,748	43,335
Deferred taxes	**9**	**2,913**	3,303	2,972
		349 869	318 676	294 952
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**54,379**	51,853	54,612
Income taxes payable		**–**	–	3,741
Current portion of long-term debt	**7**	**1,743**	4,309	2,072
		56,122	56,162	60,425
Non-current liabilities				
Long-term debt	**7**	**820**	1,235	786
Deferred taxes	**9**	**3,246**	3,471	–
Other liabilities		**1,739**	1,621	–
		61,927	62,489	61,211
Equity				
Share capital	**8**	**23,349**	19,714	17,623
Contributed surplus	**8**	**2,761**	3,586	3,906
Retained earnings		**258,775**	229,064	208,782
Accumulated other comprehensive income (loss)	**11**	**(1,050)**	103	–
Equity attributable to shareholders of the Company		**283,835**	252,467	230,311
Non-controlling interests		**4,107**	3,720	3,430
		287,942	256,187	233,741
		349,869	318,676	294,952

Commitments and contingencies *(note 10)*

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

(Signed) Richard Lord
Director

(Signed) Mathieu Gauvin
Director

Consolidated Statements of Earnings

Years ended November 30
(In thousands of dollars, except earnings per share)

	Notes	2012 $	2011 $
Sales		565,798	523,786
Cost of goods sold, warehousing, selling and administrative expenses		494,635	456,637
Earnings before the undernoted		71,163	67,149
Amortization of property, plant and equipment		5,162	5,774
Amortization of intangible assets		2,351	1,910
Financial costs, net		(198)	(13)
		7,315	7,671
Earnings before income taxes		63,848	59,478
Income taxes	9	17,939	19,373
Net earnings		45,909	40,105
Net earnings attributable to:			
Shareholders of the Company		45,404	39,726
Non-controlling interests		505	379
		45,909	40,105
Net earnings per share attributable to shareholders of the Company	8		
Basic		2.17	1.89
Diluted		2.15	1.87

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended November 30
(In thousands of dollars)

	Notes	2012 $	2011 $
Net earnings		45,909	40,105
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	11	(1,153)	103
Comprehensive income		44,756	40,208
Comprehensive income attributable to:			
Shareholders of the Company		44,251	39,829
Non-controlling interests		505	379
		44,756	40,208

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

Years ended November 30
(In thousands of dollars)

	Attributable to shareholders of the Company						
	Share capital $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $	Non-controlling interests $	Total equity $
Notes	8			11			
Balance as at December 1, 2010	17,623	3,906	208,782	–	230,311	3,430	233,741
Net earnings	–	–	39,726	–	39,726	379	40,105
Other comprehensive income	–	–	–	103	103	–	103
Comprehensive income	–	–	39,726	103	39,829	379	40,208
Business combinations	–	–	–	–	–	1,532	1,532
Shares repurchased	(335)	–	(10,177)	–	(10,512)	–	(10,512)
Stock options exercised	2,426	(888)	–	–	1,538	–	1,538
Share-based compensation expense	–	568	–	–	568	–	568
Dividends *(note 17)*	–	–	(9,267)	–	(9,267)	–	(9,267)
Other liabilities	–	–	–	–	–	(1,621)	(1,621)
	2,091	(320)	(19,444)	–	(17,673)	(89)	(17,762)
Balance as at November 30, 2011	**19,714**	**3,586**	**229,064**	**103**	**252,467**	**3,720**	**256,187**
Net earnings	–	–	45,404	–	45,404	505	45,909
Other comprehensive loss	–	–	–	(1,153)	(1,153)	–	(1,153)
Comprehensive income (loss)	–	–	45,404	(1,153)	44,251	505	44,756
Shares repurchased	(188)	–	(5,667)	–	(5,855)	–	(5,855)
Stock options exercised	3,823	(1,247)	–	–	2,576	–	2,576
Share-based compensation expense	–	422	–	–	422	–	422
Dividends *(note 17)*	–	–	(10,026)	–	(10,026)	–	(10,026)
Other liabilities	–	–	–	–	–	(118)	(118)
	3,635	(825)	(15,693)	–	(12,883)	(118)	(13,001)
Balance as at November 30, 2012	**23,349**	**2,761**	**258,775**	**(1,050)**	**283,835**	**4,107**	**287,942**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended November 30
(In thousands of dollars)

	Notes	2012 $	2011 $
OPERATING ACTIVITIES			
Net earnings		45,909	40,105
Items not affecting cash			
Amortization of property, plant and equipment		5,162	5,774
Amortization of intangible assets		2,351	1,910
Deferred taxes		–	1,573
Share-based compensation expense	8	981	821
		54,403	50183
Net change in non-cash working capital balances		(8,781)	(11,870)
		45,622	38,313
FINANCING ACTIVITIES			
Repayment of long-term debt		(2,909)	(1,449)
Dividends paid	17	(10,026)	(9,267)
Common shares issued	8	2,576	1,538
Common shares repurchased for cancellation	8	(5,855)	(10,512)
		(16,214)	(19,690)
INVESTING ACTIVITIES			
Business acquisitions	3	(2,386)	(18,360)
Additions to property, plant and equipment and intangible assets		(4,797)	(10,720)
		(7,183)	(29,080)
Effect of exchange rate changes on cash and cash equivalents		267	263
Net change in cash and cash equivalents		22,492	(10,194)
Cash and cash equivalents, beginning of year		29,095	39,289
Cash and cash equivalents, end of year		51,587	29,095
Supplementary information			
Income taxes paid		16,647	23,074
Interest received, net		(335)	(24)

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

NATURE OF BUSINESS

Richelieu Hardware Ltd. (the "Company") is incorporated under the laws of Quebec, Canada. The Company is a distributor, importer, and manufacturer of specialty hardware and complementary products. These products target an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of retailers, including big box home renovation stores. The Company's head office is located at 7900 Henri-Bourassa Blvd. W., Montreal, Quebec, Canada, H4S 1V4.

1. SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Note 16 explains how the transition to IFRS affected the Company's financial position, results and cash flows.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future and other factors deemed relevant and reasonable.

The judgments made by management in applying the accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and the assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that could potentially result in material adjustments to the carrying amount of assets and liabilities during the following period, are summarized as follows:

Inventory impairment, including loss and obsolescence, estimating customer and supplier rebates, and contingent liabilities, measuring the allowance for doubtful accounts and the classification of leases require the use of judgment and assumptions that may affect the amounts reported in the consolidated financial statements. The underlying estimates and assumptions are reviewed regularly. Revised accounting estimates, if any, are recognized in the period in which the estimates are revised, as well as in the future periods affected by the revisions. Actual results could differ from those estimates.

The Company's consolidated financial statements have been properly prepared within the reasonable limits of materiality in accordance with the accounting policies summarized below:

Consolidation

The consolidated financial statements include the accounts of Richelieu Hardware Ltd. and its subsidiaries described in note 13. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less. Cash and cash equivalents were classified in "financial assets at fair value through net earnings" and measured at fair value. Gains (losses) arising from remeasurement at each period-end are recorded in the consolidated statement of earnings.

Accounts receivable

Accounts receivable are classified in "loans and receivables" and carried at cost, which is equivalent to fair market value on initial recognition. Subsequent measurements are recorded at amortized cost using the effective interest method. For the Company, this measurement is usually equivalent to cost due to their short-term maturities.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of average cost and net realizable value. Net realizable value is the expected selling price in the normal course of business, less estimated costs to sell. The Company uses significant judgment when estimating the effect of certain factors on the net realizable value of inventory, such as inventory obsolescence and loss. The quantity, age and condition of inventory are measured and assessed regularly during the year.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. The main components have different useful lives and are amortized separately. The amortization method and useful life estimates are reviewed annually.

Buildings	20 years
Leasehold improvements	Lease terms, maximum 5 years
Machinery and equipment	5–10 years
Rolling stock	5 years
Furniture and fixtures	3–5 years
Computer equipment	3–5 years

Intangible assets

Intangible assets are acquired assets that lack physical substance and that meet the specified criteria for recognition apart from goodwill and property, plant and equipment. Intangible assets consist mainly of purchased or internally developed software, customer relationships, non-competition agreements and trademarks. Software and customer relationships are amortized on a straight-line basis over their useful lives of 3 and 10–20 years, respectively, while non-competition agreements are amortized over the terms of the agreements. Trademarks have an indefinite life and are therefore not amortized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized.

Impairment of non-current assets

At the end of each reporting period, the Company must determine whether indicators of impairment exist for its non-current assets, excluding goodwill and intangible assets with indefinite useful lives. If such indicators exist, the non-current assets are tested for impairment. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in net earnings in an amount equal to the excess.

The Company is required to test goodwill and intangible assets with indefinite lives for impairment at least once a year, whether or not indicators of impairment exist. Impairment tests are carried out on the asset itself, the cash-generating unit ("CGU") or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and the supporting assets that cannot be wholly allocated to a single CGU are tested for impairment at the group of CGUs level.

Impairment tests consist in a comparison between the carrying and recoverable amounts of an asset, CGU or group of CGUs. The recoverable amount is the higher of value in use and fair value less costs to sell. Where the carrying amount exceeds the recoverable amount, an impairment loss equal to the excess is recognized in net earnings. Impairment losses related to CGUs or groups of CGUs are allocated proportionately to the assets of the CGU or group of CGUs; however, the carrying amount of the assets is not reduced below the higher of their fair value less costs to sell and their value in use.

Other than for goodwill, if a reversal of an impairment loss occurs, it must be recognized immediately in net earnings. Reversals of impairment losses related to a CGU or group of CGUs are allocated proportionately to the assets of the CGU or group of CGUs. On reversal of an impairment loss, the increased recoverable amount of an asset must not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized in respect of the asset in prior years.

In impairment testing of goodwill and intangible assets with indefinite useful lives, value in use is estimated using a discounted future cash flow model. The application of this method is based on different assumptions such as estimated future cash flows as described in notes 5 and 16.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

Other financial liabilities

Accounts payable and accrued liabilities are classified in "other financial liabilities" and are initially recorded at fair value. They are subsequently measured at amortized cost using the effective interest method. For the Company, this measurement is usually equivalent to cost.

Revenue recognition

Revenues are recognized when finished products are shipped to customers.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to be in effect in the years in which the temporary differences are expected to reverse. Changes in these balances are recognized in net earnings in the year in which they arise.

Deferred tax assets are recognized when it is probable that the Company will have future taxable income against which these tax assets may be offset. In determining these deferred tax assets, assumptions are considered, such as the period for tax loss carry-forwards to be completely used up and the level of future taxable income in accordance with tax planning strategies.

Foreign currency translation

The consolidated financial statements are presented in the Company's functional currency, which is the Canadian dollar. The Company follows the temporal method of translating foreign currency balances and transactions into Canadian dollars, except for the accounts of its foreign subsidiary. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the end of the reporting period and the other items in the statements of financial position and earnings are translated at the exchange rates in effect at the date of transaction. Foreign exchange gains and losses are recognized in net earnings in the year in which they arise.

The assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated at the rate in effect at the date of transaction. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Foreign exchange forward contracts

The Company periodically enters into foreign exchange forward contracts with major financial institutions to partially hedge the effects of changes in foreign exchange rates related to foreign currency liabilities, as well as to hedge anticipated purchase transactions. The Company does not use derivatives for speculative purposes.

The Company uses hedge accounting only when IFRS documentation criteria are met. Derivative financial instruments designated as cash flow hedges are classified as available-for-sale financial assets and liabilities and are measured at fair value, which is the instruments' approximate settlement value at market rates. Gains and losses on remeasurement at each year-end are recorded in comprehensive income. If the instrument is not designated and documented as a hedge, changes in fair value are recognized in the statement of consolidated earnings for the year. Assets or liabilities related to financial instruments are included in accounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

Share-based payment

The Company recognizes stock-based compensation and other share-based payments in net earnings using the fair value method for stock options granted. The Black & Scholes model is used to determine the grant date fair value of stock options. The application of this method is based on different assumptions such as risk free interest rate, expected life, volatility and dividend yield as described in note 8.

Earnings per share

Earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and take into account all the items that have a dilutive effect.

2. CHANGES IN ACCOUNTING METHODS

The IASB recently issued new standards with effective dates for fiscal years 2013 and thereafter, as presented below.

IFRS 9, *Financial Instruments*

In November 2009, the International Accounting Standard Board ("IASB") published IFRS 9, *Financial Instruments*. This new standard simplifies the classification and measurement of financial assets set out in IAS 39, *Financial Instruments: Recognition and Measurement*. Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the following two conditions are met:

(a) The assets are held within a business model whose objective is to collect contractual cash flows; and

(b) The contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39. For financial liabilities measured at fair value through earnings using the fair value option, the amount of change in a liability's fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1, 2015. Early adoption is permitted under certain conditions. An entity is not required to restate comparative financial periods for its first- time application of IFRS 9, but must comply with the new disclosure requirements.

IFRS 10, *Consolidated Financial Statements*

In May 2011, the IASB published IFRS 10, *Consolidated Financial Statements*, which supersedes SIC-12, *Consolidation – Special Purpose Entities* and certain parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

(a) Power over the investee;

(b) Exposure or rights to variables returns from involvement with the investee;

(c) The ability to use power over the investee to affect the amount of the investor's returns.

IFRS 10 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption permitted under certain conditions.

IFRS 12, *Disclosure of Interests in Other Entities*

In May 2011, the IASB published IFRS 12, *Disclosure of Interests in Other Entities,* which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e., subsidiaries, joint arrangements, associates and unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, elect to incorporate only some of the required disclosures in their financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

2. CHANGES IN ACCOUNTING METHODS (Cont'd)

IFRS 13, *Fair Value Measurement*

In May 2011, the IASB published IFRS 13, *Fair Value Measurement* to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 will be applied to fiscal years beginning on or after January 1, 2013 with earlier adoption permitted.

IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. Items of other comprehensive income and the corresponding tax are required to be grouped into those that will and will not subsequently be reclassified to earnings. These amendments will be applied to fiscal years beginning on or after July 1, 2012 with earlier adoption permitted.

IAS 32, *Financial Instruments: Presentation*

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* clarifying the requirements for offsetting financial assets and liabilities. The amendments shall be applied to annual periods beginning on or after January 1, 2014. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* improving disclosure on offsetting of financial assets and liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1, 2013.

At present, the Company is assessing the impact of the above-mentioned amendments on its income, financial position and cash flows.

3. BUSINESS ACQUISITIONS

2012

On May 1, 2012, the Company purchased the net assets of CourterCo Inc. ("CourterCo") for a cash consideration of $2,386 (US$2,415), and a balance of sale of $606 (US$613). From its three locations in the United States: Indianapolis (Indiana), Louisville (Kentucky), and Greensboro (North Carolina), this business serves a customer base of residential and commercial woodworkers, kitchen, bathroom cabinet and furniture manufacturers.

Since the acquisition, CourterCo has generated sales of $7,800 and had no significant impact on earnings before income taxes. If CourterCo had been acquired on December 1, 2011, management believes that the sales included in the consolidated statement of earnings would have been approximately $13,500, assuming that temporary adjustments made as at May 1, 2012 would have been the same on December 1, 2011.

2011

On January 10, 2011, the Company acquired the principal net assets of Outwater Hardware ("Outwater") for a cash consideration of $8,748 (US$8,800), excluding acquisition costs, and a consideration payable of $2,920 (US$2,937). Located in Lincoln Park in the U.S. state of New Jersey, this company manages a distribution centre of specialized and decorative hardware, which serves residential and commercial woodworkers, kitchen and bathroom cabinet makers and furniture manufacturers.

On January 31, 2011, the Company acquired all the outstanding common shares of Madico Inc. for a cash consideration of $2,770, excluding acquisition costs, and a consideration payable of $95. Located in the Quebec City area in Quebec, Canada, this company develops and distributes floor protection products to an extensive network of hardware retailers and renovation superstores mainly in Canada and the U.S.

On March 14, 2011, the Company acquired 85% of the outstanding common shares of Provincial Woodproducts Ltd. for a cash consideration of $7,200, excluding acquisition costs, and a consideration payable of $1,481. Based in St. John's, Newfoundland and Labrador, Canada, the company operates a distribution centre specializing in hardware, finishing and hardwood flooring products.

Summary of acquisitions

These transactions were accounted for using the acquisition method and the results of operations are included in the consolidated financial statements as of the respective acquisition date for each acquisition. The preliminary purchase price allocation for CourterCo and the final purchase price allocations of Outwater, Madico Inc. and Provincial Woodproducts Ltd., at the transaction date, are summarized as follows:

	2012	2011
	$	$
Net assets acquired		
Accounts receivable	1,509	3,924
Inventories	1,930	4,296
Prepaid expenses	24	227
	3,463	8,447
Property, plant and equipment	66	2,744
Software	–	9
Customer relationships	439	8,102
Trademark	205	1,013
Non-competition agreement	57	665
Goodwill	316	7,279
	4,546	28,259
Current liabilities assumed	1,556	2,713
Deferred taxes	–	1,504
Non-controlling interests	–	1,532
Net assets acquired	2,990	22,510
Considerations		
Cash, net of cash acquired	2,384	18,014
Considerations payable	606	4,496
	2,990	22,510

As at November 30, 2011, the Company finalized the purchase price allocation for its 2010 business acquisitions, which resulted in a $517 increase in goodwill. During the year ended November 30, 2012, the Company finalized the purchase price allocation for businesses acquired during 2011, which resulted in a $396 increase in goodwill. The goodwill arising from the acquisitions corresponds to the development potential of the acquired businesses, combined with the Company's operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	$	$	$	$	$	$	$	$
Net carrying amount as at December 1, 2010	3,546	5,882	722	4,633	1,048	2,075	567	18,473
Acquisitions	–	4,964	175	1,665	873	913	880	9,470
Acquisitions through business combinations	106	1,045	818	541	134	60	40	2,744
Amortization	–	(1,188)	(422)	(1,533)	(584)	(1,478)	(569)	(5,774)
Effect of changes in foreign exchange rates	–	(1)	17	(4)	(2)	(5)	9	14
Net carrying amount as at November 30, 2011	3,652	10,702	1,310	5,302	1,469	1,565	927	24,927
Cost	3,652	20,170	4,082	22,557	5,827	10,583	8,475	75,346
Accumulated amortization	–	(9,468)	(2,772)	(17,255)	(4,358)	(9,018)	(7,548)	(50,419)
Net carrying amount as at November 30, 2011	3,652	10,702	1,310	5,302	1,469	1,565	927	24,927

	Land	Buildings	Leasehold improvements	Machinery and equipment	Rolling stock	Furniture and fixtures	Computer equipment	Total
	$	$	$	$	$	$	$	$
Net carrying amount as at November 30, 2011	**3,652**	**10,702**	**1,310**	**5,302**	**1,469**	**1,565**	**927**	**24,927**
Acquisitions	**–**	**281**	**181**	**1,070**	**605**	**1,507**	**312**	**3,956**
Acquisitions through business combinations	**–**	**–**	**31**	**9**	**–**	**26**	**–**	**66**
Amortization	**–**	**(1,274)**	**(435)**	**(1,548)**	**(588)**	**(801)**	**(516)**	**(5,162)**
Effect of changes in foreign exchange rates	**–**	**(1)**	**(18)**	**(14)**	**(5)**	**(8)**	**(1)**	**(47)**
Net carrying amount as at November 30, 2012	**3,652**	**9,708**	**1,069**	**4,819**	**1,481**	**2,289**	**722**	**23,740**
Cost	**3,652**	**21,170**	**4,262**	**23,164**	**6,272**	**12,076**	**9,262**	**79,858**
Accumulated amortization	**–**	**(11,462)**	**(3,193)**	**(18,345)**	**(4,791)**	**(9,787)**	**(8,540)**	**(56,118)**
Net carrying amount as at November 30, 2012	**3,652**	**9,708**	**1,069**	**4,819**	**1,481**	**2,289**	**722**	**23,740**

5. INTANGIBLE ASSETS AND GOODWILL

	Software	Non-competition agreements	Customer relationships	Trademarks	Total	Goodwill
	$	$	$	$	$	$
Net carrying amount as at December 1, 2010	558	138	4,450	2,274	7,420	43,335
Acquisitions	1,250	–	–	–	1,250	–
Acquisitions through business combinations	9	665	8,102	1,013	9,789	6,883
Adjustment for business combinations	–	–	–	–	–	517
Amortization	(567)	(130)	(1,213)	–	(1,910)	–
Effect of changes in foreign exchange rates	–	–	82	8	90	13
Net carrying amount as at November 30, 2011	1,250	673	11,421	3,295	16,639	50,748
Cost	4,297	1,272	20,141	3,295	29,005	50,748
Accumulated amortization	(3,047)	(599)	(8,720)	–	(12,366)	–
Net carrying amount as at November 30, 2011	1,250	673	11,421	3,295	16,639	50,748
Net carrying amount as at November 30, 2011	**1,250**	**673**	**11,421**	**3,295**	**16,639**	**50,748**
Acquisitions	**749**	**33**	**33**	**–**	**815**	**–**
Acquisitions through business combinations	**–**	**57**	**439**	**205**	**701**	**316**
Adjustment for business combinations	**–**	**–**	**–**	**–**	**–**	**396**
Amortization	**(831)**	**(217)**	**(1,303)**	**–**	**(2,351)**	**–**
Effect of changes in foreign exchange rates	**–**	**(4)**	**(165)**	**(34)**	**(203)**	**(55)**
Net carrying amount as at November 30, 2012	**1,168**	**542**	**10,425**	**3,466**	**15,601**	**51,405**
Cost	**5,044**	**1,346**	**20,287**	**3,466**	**30,144**	**60,172**
Accumulated amortization	**(3,876)**	**(804)**	**(9,862)**	**–**	**(14,543)**	**(8,767)**
Net carrying amount as at November 30, 2012	**1,168**	**542**	**10,425**	**3,466**	**15,601**	**51,405**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

5. INTANGIBLE ASSETS AND GOODWILL (Cont'd)

For impairment test purposes, the carrying value of goodwill and intangible assets has been allocated to CGUs or groups of CGUs. The recoverable value of the CGUs or groups of CGUs was determined on the basis of their value in use, which was calculated using forecasted cash flows before taxes over a period of five years. The discount rates before taxes used as at November 30, 2012 and 2011 are between 13.9% and 14.5%, considering a terminal value of 2%. Note 16 describes the impairments recognized as a reduction in goodwill upon the initial application of IFRS. No change reasonably likely as a result of any of the previously mentioned key assumptions used would be such that the carrying value would be superior to the recoverable value.

6. BANK INDEBTEDNESS

The Company has a line of credit with a Canadian banking institution with an authorized amount of 26 million in Canadian dollars and 6 million in U.S. dollars, bearing interest at the bank's prime and base rates, which were respectively 3% and 3.75% as at November 30, 2012. The line of credit is renewable annually. (2011 – $26 million with a Canadian banking institution, bearing interest at the bank's prime rate, which was 3% as at November 30, 2011 and a line of credit with an authorized maximum amount of US$5 million with a U.S. banking institution, bearing interest at prime rate, which was 3.25% as at November 30, 2011, plus 2%).

7. LONG-TERM DEBT

	2012	2011
	$	$
Business acquisition considerations payable, not bearing interest, including US$1,017 (US$3,132 in 2011)	2,563	5,136
US$400 in 2011 bearing interest at a variable rate of 2.25% based on prime rate less 1%	–	408
	2,563	5,544
Current portion of long-term debt	1,743	4,309
	820	1,235

Principal payments on long-term debt for the next few years are: $1,743 in 2013 and $820 in 2014.

8. SHARE CAPITAL

Authorized

Unlimited number of:

Common shares

Non-voting first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors

Issued

	2012	2011
	$	$
20,794,484 common shares (2011 – 20,846,709)	23,349	19,714

During 2012, the Company issued 121,375 common shares (2011 – 84,300) at an average price of $21.22 per share (2011 – $18.24) pursuant to the exercise of options under the stock option plan. In addition, during 2012, the Company, through a normal course issuer bid, purchased 173,600 common shares for cancellation in consideration of $5,855 (2011 – 372,800 for a consideration of $10,512) which resulted in a premium on redemption in the amount of $5,667 applied against retained earnings (premium of $10,177 in 2011).

Stock option plan

The Company offers a stock option plan to its directors, officers and key employees. The subscription price of each share issuable under the plan is equal to the market price of the shares five days prior to the day the option was granted and must be paid in full at the time the option is exercised. Options vest at a rate of 25% per year starting one year after grant date and expire on the tenth anniversary of the grant date.

As at November 30, 2012, 219,900 options (2011 – 220,275) were still available to be granted.

In the last two years, transactions involving options are summarized as follows:

	Number of options	Exercise price per share	Total
		$	$
Outstanding, November 30, 2010	918,300	7.28 to 24.76	18,762
Granted	51,000	27.93 to 30.68	1,555
Exercised	(84,300)	7.28 to 24.76	(1,538)
Cancelled	(2,000)	7.28 to 17.44	(20)
Outstanding, November 30, 2011	**883,000**	**11.35 to 30.68**	**18,759**
Granted	**41,000**	**27.43**	**1,125**
Exercised	**(121,375)**	**11.35 to 30.68**	**(2,576)**
Cancelled	**(40,625)**	**15.89 to 30.68**	**(1,034)**
Outstanding, November 30, 2012	**762,000**	**14.50 to 30.68**	**16,274**

The table below summarizes the information regarding the stock options outstanding as at November 30, 2012.

	Options outstanding			Exercisable options	
Range in exercise price (in dollars)	Number of options (in thousands)	Weighted average remaining period (years)	Weighted average exercise price (in dollars)	Number of options (in thousands)	Weighted average exercise price (in dollars)
9.97 – 14.50	50,000	0.32	14.50	50,000	14.50
14.51 – 21.69	317,700	4.94	19.08	286,825	19.26
21.70 – 24.76	329,300	3.33	23.18	321,800	23.18
24.77 – 30.68	65,000	8.82	28.62	6,625	30.35
	762,000	**4.27**	**21.36**	**665,250**	**20.91**

During 2012, the Company granted 41,000 options (2011 – 51,000) with an average exercise price of $27.43 per share (2011 – $30.49) and an average fair value of $6.56 per option (2011 – $8.73) as determined using the Black & Scholes option pricing model using an expected dividend yield of 1.75% (2011 – 1.5%), a volatility of 25% (2011 – 25%), a risk free interest rate of 2.31% (2012 – 3.69%) and an expected life of 7 years (2012 – 7 years). The compensation expense charged to earnings for the options granted in 2012 amounted to $422 (2011 – $568).

Deferred share unit plan

The Company offers a deferred share unit ("DSU") plan to its directors who can elect to receive part or all of their compensation in DSUs. The value of DSUs is redeemable for cash only when a director ceases to be a member of the Board. The financial liability resulting from the plan of $2,159 (2011 – $1,863) is presented under *Accounts payable and accrued liabilities*. The compensation expense charged to earnings for the DSUs in 2012 amounted to $559 (2011 – $253).

Share purchase plan

The Company has a share purchase plan entitling any employees to purchase shares up to a maximum percentage of their total compensation in cash. The Company contributes an amount equivalent to a percentage of any amount invested by the employee to the purchase of additional shares. The Company's contribution is determined annually. Compensation expense related to the share purchase plan amounted to $391 for 2012 (2011 – $313) and is recognized under *Cost of goods sold, warehousing, selling and administrative expenses*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

8. SHARE CAPITAL (Cont'd)

Earnings per share

Basic earnings per share and diluted earnings per share were calculated based on the following number of shares:

	2012 $	2011 $
Weighted average number of shares outstanding – basic	20,885	21,036
Dilutive effect under stock option plan	252	226
Weighted average number of shares outstanding – diluted	21,137	21,262

The computation of diluted net earnings per share includes all outstanding options (2011 – excludes the weighted average of 51,000 options with an exercise price exceeding the average market share price for the period because of their anti-dilutive effect).

9. INCOME TAXES

The main components of the provision for income taxes are as follows:

	2012 $	2011 $
Current	17,939	17,800
Deferred		
Temporary differences	–	1,624
Impact of tax rate changes on deferred taxes	–	(51)
	17,939	19,373

The effective income tax rate differs from the combined statutory rates for the following reasons::

	2012 $	2011 $
Combined statutory rates	26.96%	28.44%
Income taxes at combined statutory rates	17,212	16,917
Increase (decrease) resulting from:		
Impact of statutory rates changes for the subsidiary outside Canada	(21)	(175)
Share-based compensation	265	162
Other non-deductible expenses	103	79
Valuation allowance on tax attributes	–	2,619
Other	380	(229)
	17,939	19,373

Deferred taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The major components of deferred tax assets and liabilities of the Company were as follows:

	2012 $	2011 $
Deferred taxes		
Translation of foreign exchange currencies, other reserves only recognized for tax purposes upon disbursement and other tax attributes	2,545	3,279
Excess of the tax value of property, plant and equipment over their net carrying value	1,607	1,579
Excess of the net carrying value of intangible assets and goodwill over their tax value	(4,485)	(5,026)
Net amount	(333)	(168)

The net deferred taxes included the following as at November 30:

	2012 $	2011 $
Deferred tax assets	2,913	3,303
Deferred tax liabilities	(3,246)	(3,471)
	(333)	(168)

The variations of deferred taxes for the years ended November 30 are detailed as follows:

	2012 $	2011 $
Balance at the beginning of the year, net	(168)	2,972
In net results	–	(1,573)
Related to business combinations	–	(1,504)
Other	(165)	(63)
Balance at the end of the year, net	(333)	(168)

Operating losses carried forward for which the deferred taxes have not been recognized amounted to $6,600 as at November 30, 2012 (2011 – $6,900) and expire between 2030 and 2032.

10. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company has commitments under operating leases for warehouse and office premises expiring on various dates up to 2019. The future minimum payments, excluding incidental costs for which the Company is responsible, are as follows:

	$
Less than a year	6,874
Between 1 and 5 years	14,429
More than 5 years	1,298
	22,601

(b) Foreign exchange forward contracts

As at November 30, 2012, the Company held the following foreign exchange forward contracts having maturity dates in December 2012.

Type	Currency in thousands	Average exchange rate
Purchase	2,700 Euros	1.2836

(c) Claims

In the normal course of business, various proceedings and claims are instituted against the Company. Management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Company's financial position or net consolidated earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income, including the following items and the changes that occurred during the year, was as follows:

	2012	2011
	$	$
Balance at the beginning of the year	103	–
Exchange differences on translation of foreign operations	(1,153)	103
Balance at the end of the year	(1,050)	103

12. FINANCIAL INSTRUMENTS AND OTHER INFORMATION

Fair values

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities is a reasonable estimate of their fair value because of their short maturity.

The carrying value of long-term debt approximates their fair value either because of the floating rate nature of some loans or because management estimates that the loans payable with fixed interest rates have no significant differences between their fair value and their carrying value, based on rates currently available to the Company on loans with similar terms and remaining maturities.

As at November 30, 2012, the fair value of foreign exchange forward contracts resulted in a gain of approximately $25 (loss of approximately $54 as at November 30, 2011), representing the amount the Company would collect (disburse) on settlement of these contracts at spot rates.

Credit risk

The Company sells its products to numerous customers in Canada and, in a lesser proportion, in the United States. The credit risk refers to the possibility that customers will be unable to assume their liabilities towards the Company. The average days outstanding of accounts receivable, as at November 31, 2012 and 2011, is acceptable given the industry in which the Company operates.

The Company performs ongoing credit evaluations of customers and generally does not require collateral. The allowance for doubtful accounts for the years ended November 30, 2012 and 2011 is as follows:

	2012	2011
	$	$
Balance at the beginning of the year	5,006	4,607
Allowance for doubtful accounts	2,152	2,438
Write-offs	(2,061)	(2,017)
Exchange rate variations	(65)	(22)
Balance at the end of the year	5,032	5,006

The balance of accounts receivable of the Company that are overdue for more than 60 days, but which were not provided for, totals $1,513 ($1,186 in 2011).

As at November 30, 2012 and 2011, no customer accounted for more than 10% of the total accounts receivable.

Market risk

The Company's foreign currency exposure arises from purchases and sales transacted mainly in U.S. dollars and Euros. Administrative charges included, for the year ended November 30, 2012, an exchange loss of $9 (2011 – gain of $297).

The Company's policy is to maintain its purchase price and selling prices of its commercial activities by mitigating its exposure by use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange contracts are used. Major exchange risks are covered by a centralized cash flow management. Exchange rate risks are managed in accordance with the Company's policy on exchange risk management. The goal of this policy is to protect the Company's profits by eliminating the exposure to exchange rate fluctuations. The Company's policy does not allow speculative trades.

As at November 30, 2012 and 2011, a decrease of 1% of the Canadian dollar against the U.S. dollar and the Euro, all other variables remaining the same, would have had no significant effect on consolidated net earnings and increased the consolidated comprehensive income by $731 (2011 – $570). The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments as of November 30, 2012.

Liquidity risk

The Company manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, if required. During the previous years, the Company has financed its growth, its acquisitions, and its payout to shareholders by using the cash generated by the operating activities.

Current fiscal year expenses

During the year ended November 30, 2012, the amount relating to inventories recorded as expenses from the distribution, imports and manufacturing activities totals $398,957 (2011 – $366,242). An expense of $2,123 (2011 – $472) for inventory obsolescence is included in this amount. Salaries and related charges of $81,992 (2011 – $75,025) are included in the cost of goods sold, warehousing, selling and administrative expenses.

13. RELATED PARTY INFORMATION

The Company has significant interests in the following subsidiaries:

Names	Country of incorporation	Equity interest %	Voting rights %
Richelieu America Ltd.	U.S.	100	100
Richelieu Finance Ltd.	Canada	100	100
Richelieu Hardware Canada Ltd.	Canada	100	100
Cedan Industries Inc.	Canada	100	100
Distributions 20/20 Inc.	Canada	100	100
Provincial Woodproducts Ltd.	Canada	85	85
Menuiserie des Pins Ltée	Canada	75	75

Executive officer compensation is as follows:

	2012	2011
	$	$
Short-term employee benefits	2,669	2,692
Other long-term benefits	228	343
Share-based compensation	17	17
	2,914	3,052

Accounts payable include a retirement allowance amounting to $1,900 payable to a senior executive officer.

14. GEOGRAPHIC INFORMATION

During the year ended November 30, 2012, nearly 79% of sales had been made in Canada (2011 – 81%). The Company's sales to foreign countries, almost entirely directed to the United States, amounted to $120,658 (2011 – $99,177) in Canadian dollars and to $120,403 (2011 – $100,454) in U.S. dollars.

As at November 30, 2012, out of a total amount of $23,740 in capital assets (2011 – $24,927), $3,301 (2011 – $2,019) are located in the United States. In addition, intangible assets located in the United States amounted to $7,996 (2011 – $8,158) and goodwill to $3,835 (2011 – $3,212) in Canadian dollars and to $8,047 (2011 – $7,996) and goodwill to $3,860 (2011 – $3,148) in U.S. dollars.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

15. CAPITAL MANAGEMENT

The Company's objectives are: :

- Maintain a low debt ratio to preserve its capacity to pursue its growth both internally and through acquisitions;
- Provide an adequate return to shareholders.

The Company manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

For the year ended November 30, 2012, the Company achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.9% (2011 – 2.2 %) (long-term debt/equity)
- Return on average equity: 16.9% (2011 – 16.5%)

The Company's capital management objectives remained unchanged from the previous fiscal year.

16. IFRS ADOPTION

These financial statements are the first consolidated financial statements of the Company prepared under IFRS. The IFRS transition date was December 1, 2010. These consolidated financial statements were prepared using the IFRS significant accounting policies of the Company presented in Note 1. The main adjustments made to convert the consolidated statement of financial position as at December 1, 2010 prepared under Canadian generally accepted accounting principles before the transition to IFRS are explained below.

To prepare the consolidated statement of financial position as at December 1, 2010, the Company elected to use the following exemptions to retrospective application as at the transition date, as allowed under IFRS 1.

Business combinations

IFRS 3, *Business Combinations*, may be adopted retrospectively or prospectively. Retrospective application requires restatement of some or all of the business combinations that occurred before the transition date. The Company made use of this exemption and did not restate its acquisitions prior to the transition date.

Share-based payment

An entity may apply IFRS 2, *Share-based Payment*, only to equity instruments that are unvested at the transition date. The Company elected not to apply IFRS 2 to equity instruments granted and vested before the date of transition to IFRS.

Cumulative exchange differences

Retrospective application of IFRS would require the Company to determine cumulative exchange differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or associate was formed or acquired. However, IFRS 1, *First-time Adoption of International Financial Reporting Standards* allows cumulative foreign exchange gains and losses to be reset to zero at the transition date. The Company elected to reset its net foreign exchange losses totalling $5.6 million as at December 1, 2010 to zero. Net foreign exchange losses were reclassified to retained earnings at the transition date.

RECONCILIATION OF EQUITY

	Notes	November 30, 2011	December 1, 2012
		$	$
Equity under Canadian GAAP		**275,634**	253,869
Impairment of assets – impairment losses of property, plant and equipment, intangible assets and goodwill	(a), (c)	**(26,509)**	(26,509)
Amortization and other	(a), (c)	**408**	–
Other liabilities	(e)	**(400)**	(400)
Deferred taxes	(b)	**3,334**	3,351
		(23,167)	(23,558)
Equity attributable to shareholders of the Company under IFRS		**252,467**	230,311

RECONCILIATION OF FINANCIAL POSITION

	Notes	As at December 1, 2010 GAAP	Adjustments	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		39,289	–	**39,289**
Accounts receivable		65,017	–	**65,017**
Inventories		117,609	–	**117,609**
Prepaid expenses		837	–	**837**
		222,752	–	**222,752**
Non-current assets				
Property, plant and equipment	(a)	19,132	(659)	**18,473**
Intangible assets	(a)	13,242	(5,822)	**7,420**
Goodwill	(a), (c)	63,363	(20,028)	**43,335**
Deferred taxes	(e)	2,327	645	**2,972**
		320,816	(25,864)	**294,952**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)	54,212	400	**54,612**
Income taxes payable		3,741	–	**3,741**
Current portion of long-term debt		2,072	–	**2,072**
		60,025	400	**60,425**
Non-current liabilities				
Long-term debt		786	–	**786**
Deferred taxes	(a), (b)	2,706	(2,706)	**–**
Non-controlling interests	(d)	3,430	(3,430)	**–**
		66,947	(5,736)	**61,211**
Equity				
Share capital		17,623	–	**17,623**
Contributed surplus		3,906	–	**3,906**
Retained earnings		237,907	(29,125)	**208,782**
Accumulated other comprehensive income (loss)	(d)	(5,567)	5,567	**–**
Equity attributable to shareholders of the Company		253,869	(23,558)	**230,311**
Non-controlling interests	(d)	–	3,430	**3,430**
		253,869	(20,128)	**233,741**
		320,816	(25,864)	**294,952**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

16. IFRS ADOPTION (Cont'd)

RECONCILIATION OF FINANCIAL POSITION

	Notes	As at November 30, 2011 GAAP	Adjustments	IFRS
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		29,095	–	**29,095**
Accounts receivable		72,366	–	**72,366**
Income taxes receivable		1,645	43	**1,688**
Inventories		118,753	–	**118,753**
Prepaid expenses		1,157	–	**1,157**
		223,016	43	**223,059**
Non-current assets				
Property, plant and equipment	(a)	25,399	(472)	**24,927**
Intangible assets	(a)	22,189	(5,550)	**16,639**
Goodwill	(a), (c)	70,870	(20,122)	**50,748**
Deferred taxes	(e)	2,658	645	**3,303**
		344,132	(25,456)	**318,676**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	(e)	51,453	400	**51,853**
Current portion of long-term debt		4,309	–	**4,309**
		55,762	400	**56,162**
Non-current liabilities				
Long-term debt		1,235	–	**1,235**
Deferred taxes	(a), (b)	6,160	(2,689)	**3,471**
Other liabilities	(d)	–	1,621	**1,621**
Non-controlling interests	(d)	5,341	(5,341)	**–**
		68,498	(6,009)	**62,489**
Equity				
Share capital		19,714	–	**19,714**
Contributed surplus	(d)	3,586	–	**3,586**
Retained earnings		257,955	(28,891)	**229,064**
Accumulated other comprehensive income (loss)	(d)	(5,621)	5,724	**103**
Equity attributable to shareholders of the Company		275,634	(23,167)	**252,467**
Non-controlling interests		–	3,720	**3,720**
		275,634	(19,447)	**256,187**
		344,132	(25,456)	**318,676**

RECONCILIATION OF CONSOLIDATED STATEMENTS OF EARNINGS

	Notes	Year ended November 30, 2011 GAAP	Adjustments	IFRS
		$	$	$
Sales		523,786	–	**523,786**
Cost of goods sold, warehousing, selling and administrative expenses	(c)	456,467	170	**456,637**
Earnings before the undernoted		67,319	(170)	**67,149**
Amortization of property, plant and equipment	(a)	5,906	(132)	**5,774**
Amortization of intangible assets	(a)	2,139	(229)	**1,910**
Financial costs, net		(13)	–	**(13)**
		8,032	(361)	**7,671**
Earnings before income taxes		59,287	191	**59,478**
Income taxes	(b)	19,416	(43)	**19,373**
Net earnings		39,871	234	**40,105**
Attributable to:				
Shareholders of the Company		39,492	234	**39,726**
Non-controlling interests		379	–	**379**
		39,871	234	**40,105**
Net earnings per share attributable to shareholders of the Company				
Basic		1.88	0.01	**1.89**
Diluted		1.86	0.01	**1.87**

RECONCILIATION OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended November 30, 2011 GAAP	Adjustments	IFRS
		$	$	$
Net earnings		39,871	234	**40,105**
Other comprehensive income (loss)				
Exchange differences on translation of foreign operations	(d)	(54)	157	**103**
Comprehensive income		39,817	391	**40,208**

RECONCILIATION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended November 30, 2011 GAAP	Adjustments	IFRS
		$	$	$
Operating activities	(c)	38,528	(215)	**38,313**
Investing activities		(19,690)	–	**(19,690)**
Financing activities	(c)	(29,295)	215	**(29,080)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

16. IFRS ADOPTION (Cont'd)

(a) IAS 36, *Impairment of Assets*

Impact on opening statement of financial position	The GAAP impairment test is carried out at the level of the operating unit that includes several distribution centres in a region, thereby benefiting from the cash flows of the distribution centres which have no intangible assets or goodwill. Unlike the GAAP impairment test, the IFRS impairment test is performed at a lower level, specifically at the level where cash inflows largely independent of other groups of assets are generated, which is the distribution centre level in several cases. Due to the anticipated adoption of the new accounting policy, the value in use of certain CGUs, and thus the recoverable amount, is lower than their carrying amount. Estimates of value in use, and, in turn, impairment test conclusions, are sensitive to assumptions made regarding revenue growth, gross margin generated, working capital requirements to support operations over the next five years, long-term market growth, and the appropriate discount rate to reflect the time value of money and the risks specific to each CGU not accounted for in cash flows. The discount rate before taxes used was 14.6% as at December 1, 2010. In light of the foregoing, a $26.5 million impairment expense (US$25.8 million) was recognized as a reduction of the carrying amounts of assets acquired in the U.S. from 2003 to 2010.
Implications for fiscal 2011	This impairment reduces the asset amortization expense by $0.4 million.

(b) IAS 12, *Income Taxes*

IFRS accounting policy	Adjustments made to the opening statement of financial position triggered the recognition of additional deferred tax assets and resulted in the write-off of deferred tax liabilities. This standard limits the recognition of deferred tax assets to the amount that is probable to be realized.
Impact on opening statement of financial position	As a result, the deferred tax liabilities were written off and certain deferred tax assets have not been recognized since it is not probable that the benefits will be realized in subsequent years.

(c) IFRS 3, *Business Combinations – Acquisition-related Costs and IFRS 1 Exemption*

GAAP accounting policy	Acquisition-related costs, or the costs the acquirer incurs to effect a business combination, are included in the allocation of the price paid and are therefore capitalized in the statement of financial position.
IFRS accounting policy	All costs incurred in connection with a business combination are to be accounted for by the acquirer as expenses during the period in which the services were received.
Impact on opening statement of financial position	IFRS 1 offers the election of applying IFRS 3 solely to business combinations beginning on or after December 1, 2010. As a result, there is no effect on the opening statement of financial position.
Implications for fiscal 2011	Acquisition-related costs recognized in fiscal 2011 and factored into the allocation of the purchase price of business acquired totalled $0.2 million. These costs were recognized as expenses in the consolidated statement of earnings for the year ended November 30, 2011.

(d) Reclassifications: Foreign currency translation and non-controlling interests

IFRS accounting policy	IAS 21 requires the Company to recognize some translation differences in other comprehensive income and accumulate these in a separate component of equity. Under IFRS 1, the Company need not comply with these requirements for cumulative translation differences that existed as at December 1, 2010 if the differences are deemed to be zero at that date. IFRS 10 requires non-controlling interests to be presented in equity in the consolidated statement of financial position, separately from equity attributable to shareholders of the Company. Options to purchase non-controlling interests that correspond to the definition of a financial liability according to IAS 32, *Financial Instruments: Presentation,* are measured at fair value and presented under other liabilities.
Impact on opening statement of financial position	Cumulative translation differences are deemed to be zero as at December 1, 2010, as the consideration was recognized as a reduction of retained earnings. Total liabilities were reduced by the balance of non-controlling interests pertaining to transactions under which there were no non-controlling interest purchase options and the balance was reclassified to equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

November 30, 2012 and 2011 (Amounts are in thousands of dollars, except per-share amounts)

16. IFRS ADOPTION (Cont'd)

(e) Other liabilities, provisions and contingent liabilities

Comparisons between IFRS and GAAP	IFRS require a provision to be recorded when it is probable (>50%) that the Company will settle an obligation with a cash outflow that can be reliably estimated. Such provisions must be disclosed in the notes to consolidated financial statements. Under GAAP, the recognition criteria for similar situations require a greater level of certainty.
Impact on opening statement of financial position	The balance of provisions was reviewed and adjusted when the IFRS recognition criteria were met.

17. DIVIDENDS

For the year ended November 30, 2012, the Company paid a quarterly dividend of $0.12 per common share [2011 – quarterly dividend of $0.11 per share] for a total amount of $10,026 [2011 – $9,267]. For 2013, the Board of Directors approved on January 24, 2013 the payment of a quarterly dividend of $0.13 per common share.

18. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended November 30, 2012 (including the comparative figures) were approved for issue by the Board of Directors on January 24, 2013.

19. COMPARATIVE FIGURES

Some figures disclosed for the year ended November 30, 2011 have been reclassified to conform to the presentation adopted in the year ended November 30, 2012.

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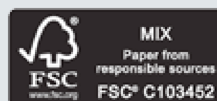

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